FINANCIAL TIMES

Darwinism
Can nature be so cruel?
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World Business Newspaper — THURSDAY MAY 23 1996

German tax plan faces opposition from federal states

Germany unveiled a package of tax proposals aimed at reducing the tax burden for individuals, boosting incentives for small businesses and easing their access to capital. The package by Theo Waigel, finance minister, is expected to face strong opposition from the Länder, or federal states, when he presents it to the upper house of parliament. Page 16

Italian PM pledges to fight inflation

Italy's new prime minister, Romano Prodi (left), pledged to fight inflation and cut the budget deficit to enable the country to take part in European Monetary Union in 1999. Presenting the centre-left government's programme, the 56-year-old economics professor from Bologna warned that Italians would have to make sacrifices to reform the state and put the country's finances in order. Page 16; Editorial Comment, Page 15; Lex, Page 16

Court rules in Credit Suisse case: The UK High Court ruled that Sergio Cuoghi, the Italian financier accused of a $70m fraud against Credit Suisse Fides Trust, could not request Swiss authorities to carry out more investigations. Page 2

Washington attacks EU computer tariffs: The US criticised European Union customs treatment of certain computer and telecoms products at the World Trade Organisation, but stopped short of making a formal WTO complaint. Page 6

OECD agrees action on bribery: The US scored a success in its campaign for tougher international action against corporate corruption when industrialised countries agreed to make corporate bribery of foreign government officials a criminal offence. Page 4

Lloyd's of London faced fresh US headaches as accusations of "dirty tricks" flew over letters falsely cancelling meetings where US Names were to be given details of the insurance market's recovery plan. Page 10

US minimum wage rise bogged down: The House of Representatives was on track to pass an increase in the US federal minimum wage, but probably with conditions that might cause problems in the Senate and with President Bill Clinton. Page 4

Japan call to EU on chip tariffs: Japan is insisting that the European Union commit itself to abolishing semiconductor tariffs by the year 2000 before Tokyo would be prepared to accept an EU proposal for a semiconductor industry agreement that would also include US producers. Page 6

Communists cry foul in Russian poll: A leading communist accused Russian President Boris Yeltsin of planning to rig next month's presidential election and said the Kremlin was blocking the opposition's access to the media across the country. Page 3; Russia's capital markets, Page 17

Solicitor to stand for HK chief executive: Lo Tak-shing, a solicitor and a former member of the Hong Kong administration, declared his interest in the post of chief executive, sparking life into the contest for the top position in the territory after it is handed back to China next year. Page 8

Hopes of osteoporosis advance: Hopes have risen that bone fractures resulting from osteoporosis could soon be brought under control after results of a trial were announced by Merck, the US drugs company. Page 12

Framatome, the French nuclear power group, has emerged as a possible buyer of a strategic stake in Valeo, the French automotive components company. Page 17; Lex, Page 16

Tokyo recruits 2,000 spies: Japan is recruiting 2,000 spies from its military forces to bolster its ability to keep watch on potential flashpoints in east Asia. Page 16

Iberdrola in plan to halve debt: Debts amounting to more than $11bn at the Spanish private-sector electrical utility Iberdrola are set to be halved in the next three years. Page 18

Liberty, the UK retail and textiles group, announced the closure of its lossmaking chain of 20 regional stores at a cost of £5m ($7.6m). Page 24

Second Indian bomb kills 14: In India's second major blast in two days, a bomb killed 14 people on a bus travelling from Agra through the north-west state of Rajasthan. It was not clear whether the explosion was linked to Tuesday's car bomb in New Delhi in which 13 died.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,727.77	(-8.49)
NASDAQ Composite	1,241.75	(-2.67)
Europe and Far East		
CAC40	2,103.49	(-26.22)
DAX	2,558.87	(-13.91)
FT-SE 100	3,764.2	(-25.2)
Nikkei	21,958.0	(-133.74)

■ US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.166%
Long Bond	89[illegible]
Yield	6.85%

■ OTHER RATES

UK: 3-mo Interbank	6⅛%	(same)
UK: 10 yr Gilt	96⅛	(96⅜)
France: 10 yr OAT	105.54	(105.75)
Germany: 10 yr Bund	98.54	(98.77)
Japan: 10 yr JGB	98.2479	(98.2224)

■ NORTH SEA OIL (Argus)

Brent Dated	$19.815	(18.82)

■ GOLD

New York: Comex		
(Jun)	$392.0	(391.4)
London:		
close	$391.45	(390.5)

■ DOLLAR

New York: lunchtime		
£	1.5085	
DM	1.5428	
FFr	5.2225	
SFr	1.2685	
Y	106.955	
London:		
£	1.5102	(1.5136)
DM	1.5387	(1.5415)
FFr	5.2124	(5.2165)
SFr	1.2655	(1.2661)
Y	106.95	(107.06)

■ STERLING

DM	2.3236	(2.3331)
Tokyo close:	Y 107.35	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1,250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (mainland)	Es240	Turkey	L80,000
France	FFr11.50	Lebanon	U3.000			UAE	Dh12.00

Beef ban protest could lead to virtual paralysis of Brussels business

UK action threatens EU projects

By Robert Peston in London and Bruce Clark and Caroline Southey in Brussels

The British government's campaign to undermine European Union business could lead to the shelving of projects it has been championing, including a crackdown on EU fraud.

The disclosure came as the UK sowed confusion among its EU partners in Brussels yesterday by warning them of a slowdown in Union business, although UK representatives continued to take part in most activities.

British diplomats told their EU counterparts that "co-operation would be impaired" and they would refuse to say anything that would bind the hands of UK ministers. As a result, meetings of EU ministers could be virtually paralysed by a huge backlog of business which is usually tackled by officials at a lower level.

The first signs of this policy were felt yesterday when British officials held up three items at a diplomats' meeting dealing with customs regulations and scientific research.

Senior members of the government also warned that its programme to disrupt EU decision-making would have no exceptions. An early test of its resolve in this respect will probably be the meeting in 10 days' time of EU finance ministers. The agenda is expected to include a vote on measures to allow on-the-spot inspections for possible fraud against the EU budget, which the UK has been promoting for months. "We would not be in a position to agree [to the proposal]", said a senior official.

A further sign of the government's resolve was the decision that Mr Malcolm Rifkind, the foreign secretary, will now take the lead in efforts to have the beef ban lifted, effectively sidelining Mr Douglas Hogg, agriculture minister.

There was a further blow to Mr Hogg's authority when responsibility for the programme for culling cows and eradicating "mad cow" disease, or BSE, from the UK herd was transferred to a new ministerial committee, under Mr Roger Freeman, the public service minister. It will be supported by a committee of officials.

A separate ministerial committee, chaired by Mr Major, will co-ordinate the EU action programme. It too will be backed up by a committee of officials, chaired by Sir Robin Butler, head of the UK civil service.

Ministers denied that the disruption campaign was mainly aimed at a domestic audience and was designed to boost the government's flagging opinion poll rating. "Anyone who thinks this is a PR exercise is not living in the real world", said a Downing Street official.

Mr Major yesterday reassured Mr Jacques Santer, European Commission president, that the Brussels bureaucracy was not the target of the government's action.

In a phone call from Downing Street yesterday, Mr Major said the aim was to put pressure on member states which have refused to accept the scientific facts and ease the beef ban.

EU plays down threat, Page 10
Bewilderment turns to despair, Page 15

Daimler chief wins showdown with angry investors

By Michael Lindemann in Stuttgart

Mr Jürgen Schrempp, chief executive of Daimler-Benz, Europe's largest industrial conglomerate, yesterday survived his first showdown with shareholders after disclosing the group had completed talks on the sale of its Dornier subsidiary to Fairchild, the US aircraft maker.

Contracts were "ready for signature" and Daimler-Benz hoped to complete the deal after a meeting of Dornier shareholders on June 5, Mr Schrempp said.

The Dornier family, which last week publicly attacked Daimler for wanting to sell the loss-making regional aircraft manufacturing subsidiary, could still veto the sale because it retains a stake in Dornier. But Daimler was "very confident" the deal would go ahead.

Mr Schrempp had been expected to face fierce criticism from the 10,000 shareholders gathered in a indoor stadium after the group suffered net losses last year of DM5.7bn ($3.75bn) and omitted its dividend for the first time in the company's history.

However, the prospect of a deal on Dornier helped disarm angry shareholders – as did a strong increase in group sales in the first four months of this year and a 20 per cent rise in the Daimler share price since last May, when Mr Schrempp took over as chief executive.

Nevertheless, more than 40 attacked the management board over last year's losses. One criticised the board for its "statement of bankruptcy", another said the group would have been "a case for receivership" if it had not been for the profitable car and truck division.

Another shareholder told the meeting he had a document showing Daimler expected a net loss last year of DM302m, contrary to profit forecasts that Mr Edzard Reuter, Mr Schrempp's predecessor, had announced at last year's AGM.

Mr Manfred Gentz, finance director, admitted he had seen such a document but said it did not represent a reliable basis for a profit forecast.

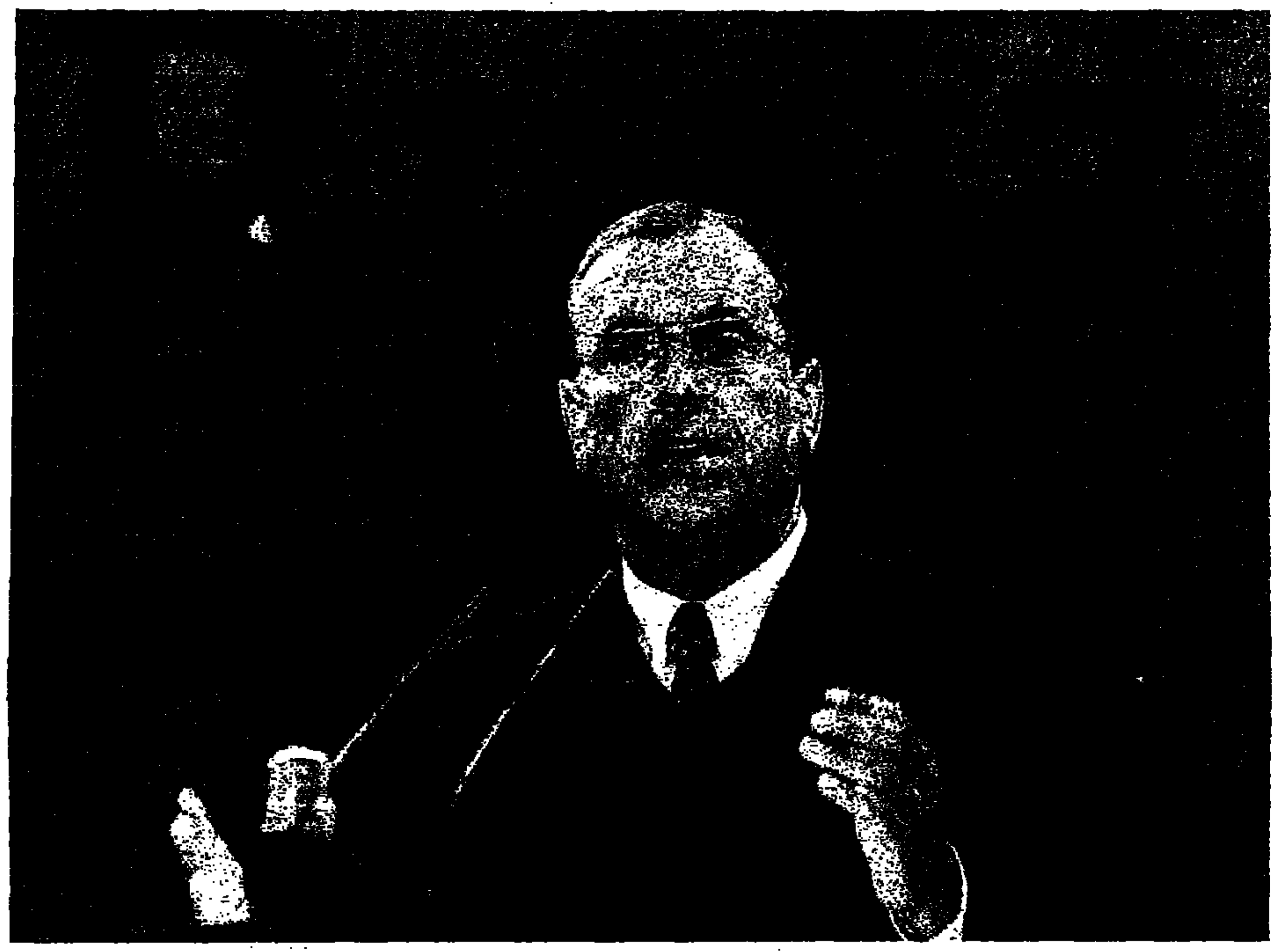
By focusing on the better prospects for 1996 and beyond, Mr Schrempp took the sting out of shareholder anger.

In his address he attempted to set a new management tone for the group by assuming much of the blame for last year's poor results, most of which relate to his own purchase of Fokker, the Dutch aircraft maker.

His willingness to admit mistakes drew support from some shareholders who contrasted his stance with that Mr Reuter, who stepped down last May.

Significantly, throughout his

Continued on Page 16
Daimler warns of further restructuring, Page 18



Daimler-Benz chief executive Jürgen Schrempp during his first meeting with shareholders yesterday. Instead of a fierce reception from the 10,000 shareholders in Stuttgart he was able to head off anger by announcing that talks on the sale of its Dornier subsidiary to US aircraft maker Fairchild had been completed and contracts were 'ready for signature'. Picture: AP

Russia is 'welcome to join' Paris Club

By Graham Bowley in Paris

Russia would be welcome as a member of the elite Paris Club of creditor nations even though it has just rescheduled its own huge debts, a senior club official indicated yesterday.

Mr Christian Noyer, president of the Paris Club and chief of staff at the French ministry of economy and finance, said Russia was entitled to join the other 18 Paris Club members because it, too, had not been repaid by debtor nations.

Money owed to Russia, which may total $100bn, arise from its former role as a political and financial patron of Third World countries. Mr Noyer said he had met Mr Victor Chernomyrdin, the Russian prime minister, to discuss the issue and that technical work on the country's admission had begun.

In another surprise development this week, Russia said it wanted to join the Organisation for Economic Co-operation and Development, the Paris-based economic advisory agency sponsored by the leading industrialised countries.

Membership of the Paris Club would be another important step towards Russia's acceptance into the western financial community.

News of its possible entry into the elite could also give President Boris Yeltsin an extra political boost at home ahead of next month's fiercely contested presidential elections. Western governments and financial institutions have been firmly behind Mr Yeltsin in his bid to prevent the communists from returning to power.

Mr Noyer cautioned that it would finally be a political decision taken by governments whether Russia should become a full member of the Paris Club or whether it should have a looser association with the Paris Club members.

Last month, Russia reached agreement on rescheduling $40bn in government loans, the largest deal done in the club's 40-year history.

One Russian specialist at a US bank in London said Paris Club membership would be a very positive thing for Russia.

The country would be able to claim favourable terms on its outstanding debt and "a whole class of assets on its balance sheet would suddenly be worth a lot more".

Financial analysts estimate that bad debts owed to Russia total around $100bn.

Technical problems revolve around whether this debt, most of which is denominated in roubles, should be valued in current rouble terms or at the value of the rouble when the loans were first made, which would significantly reduce their worth.

Difficulties surrounding the legal terminology used in the loan contracts might also mean the debts could be repaid in raw materials or in US dollars. Many of the countries in debt to Russia also view the loans they received as subsidies when they were clients of the former Soviet Union.

Toys R Us accused of unfair action on rivals

By Richard Tomkins in New York

Toys R Us, the world's biggest toy retailer, yesterday faced accusations by US competition authorities that it had used its market clout to force prices higher and stop toys reaching rival stores.

The Federal Trade Commission filed an administrative complaint against the company alleging that it extracted agreements from toy manufacturers to stop selling certain toys to warehouse clubs, a form of discount store, because they were selling the items too cheaply.

However, two out of the five commissioners dissented from the decision to press charges, and Toys R Us vigorously denied them.

Mr Michael Goldstein, chief executive of Toys R Us, said he was "astounded" at the FTC's complaint, which will be referred to an administrative court in the hope of obtaining an order against the company.

Toys R Us, which last year had worldwide revenues of $9.4bn, is the dominant toy retailer in the US, with 20 per cent of the market.

But in recent years it has faced a growing challenge to its reputation for low prices, from discount store chains and warehouse clubs.

But as early as 1989, the FTC said, Toys R Us started using its market power to extract agreements and understandings from manufacturers, under which:

- Manufacturers would not allow the warehouse clubs to buy the same toys that Toys R Us carried.
- If such toys were supplied to warehouse clubs, they would have to be packaged as higher-priced "specials" – typically, combinations of two or more items – that could not easily be price-compared with the Toys R Us item.
- Manufacturers agreed to tell Toys R Us which items they planned to supply to the warehouse clubs so that Toys R Us could decide whether the sales posed a competitive threat.

"As a result," said Mr William

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CONTENTS

NEWS: EUROPE

EUROPEAN NEWS DIGEST

Çiller calls on coalition to go

Mrs Tansu Çiller, leader of Turkey's conservative True Path party (DYP), yesterday demanded that the country's fragile coalition government quit. Mrs Çiller, whose party is a member of the coalition, said: "The government has become a platform for destroying the True Path party. The government is not working." The DYP and the Motherland party of Mr Mesut Yilmaz, the prime minister, formed a minority government in March, but feuding between the two rivals for leadership of the divided centre-right has paralysed the government. Two weeks ago Mr Yilmaz claimed Mrs Çiller had misappropriated $6.5m shortly before resigning as prime minister in March.

The coalition is 15 seats short of a majority in the 550-member parliament where Refah, the Islamist opposition party, holds nearly a third of the seats. Analysts say Refah is gaining at the expense of the feuding parties and would take more than 30 per cent of the vote if an election were held today, giving it control of parliament.

Two DYP ministers quit the cabinet in support of Mrs Çiller: Mr Unal Erkan, housing minister, and Mr Ayvaz Gökdemir, minister for relations with central Asian republics. Share prices tumbled 4.5 per cent and the Turkish lira lost 1 per cent against the US dollar. Turkish treasury bill prices lost 3.5 per cent in the day. *John Barham, Ankara*

Strike puts contracts at risk

BMW is reviewing its single-supplier agreements with Raufoss, the Norwegian automotive component maker, following the 10-day strike by 37,000 mechanical engineering workers that ended yesterday.

The strike, which crippled output at hundreds of companies in Norway, ended with agreement between employers and trade unions on a revised pay deal. The engineering employers' federation estimated the strike had cost the 450 companies affected up to NKr2bn ($305m) in lost production and said the dispute had damaged goodwill among foreign customers of Norwegian exporters. Saab, the Swedish carmaker, lost more than a day's production because it ran out of parts supplied by Raufoss.

Norwegian shipyards were brought to a standstill by the strike, but Kvaerner, the biggest shipbuilder, said it hoped to be able to catch up time lost on big contracts. The Fellesforbundet trade union federation called off the strike after the employers agreed a new annual pay deal which will lower the standard retirement age from 64 to 62, instead of 63 as previously proposed. However, no extra cash was included in the new agreement. *Hugh Carnegy, Stockholm*

Free market in auditing urged

A report funded by the European Commission into the future of auditing in the European Union is to recommend a free market approach which will delight leading accountancy firms. The report, by the Maastricht Accounting and Auditing Research Centre, is expected to be published next week. An EU green paper on auditing will follow this summer. The report concludes that intra-EU trade in audit services can best be stimulated by removing restrictions on the ownership, management and control of audit firms.

The authors believe many services will still be provided by local auditors, because of the special knowledge required in each country. The report will also urge member states to release auditors from national laws and regulations when offering services in another member state. Furthermore, the report believes audit quality can be improved by removing restrictions designed to protect the independence of auditors – such as curbs on the scope of services offered, fee setting, advertising and length of tenure. The authors believe increased competition in a less restricted market will improve audit quality. *Jim Kelly, London*

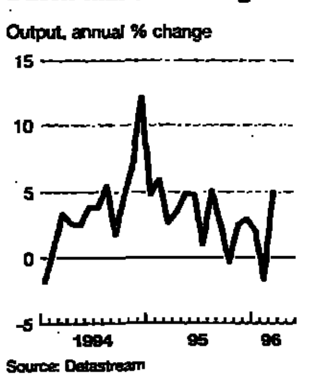
Dog-fight over defence minister

Hungary's opposition parties yesterday stepped up calls for the resignation of Mr Gyorgy Keleti, defence minister, after it emerged that Hungarian fighter aircraft had participated in military exercises in Poland earlier this month without parliament's permission. Under the constitution, the armed forces may not cross the country's borders without parliament's approval except for United Nations peacekeeping or exercises based on international treaties.

Although Mr Keleti ordered the aircraft to return early, opposition MPs say he knew the eight MiG-29s had left for the sharp-shooting training exercises. Mr Keleti, a leading member of the Socialist-led government and one of Hungary's most popular politicians, says General Sandor Nemeth, chief of the armed forces, gave the orders to the air force without consulting him. Gen Nemeth says the exercises were long planned and were included in a training plan submitted to the defence ministry in February. *Virginia Marsh, Budapest*

ECONOMIC WATCH

Dutch production leaps up



Dutch manufacturing production rose by 6.9 per cent, seasonally adjusted, in March compared with February, and by 5 per cent against a year earlier, the bureau of statistics said yesterday. The March figures were far higher than forecast. Economists' consensus for March was a modest rise of 0.6 per cent year-on-year and 2.4 per cent month-on-month. First-quarter manufacturing output rose by 2 per cent, with the metal sector production growing by 4.8 per cent, but chemicals dipping 2.5 per cent. The bureau said the hard winter hit the wood and building materials industry hardest; output dropped by 13 per cent in the January-March period. *Reuter, Voorburg*

■ Sweden had a current account surplus of SKr4.6bn ($686m) in March, following SKr5.4bn in February and SKr3.8bn in March last year. Retail sales fell 1.6 per cent in March from a year earlier. For the three months to March, sales were down 1.3 per cent.

Financier loses round in extradition case

Italian allegedly involved in $70m investment fraud against Credit Suisse subsidiary

By John Mason, Law Courts Correspondent

An Italian financier accused of mounting a $70m fraud against an investment trust subsidiary of Credit Suisse Holdings, the largest financial group in Switzerland, yesterday suffered a setback in his long-running fight against extradition from London.

Mr Sergio Cuoghi, who lives in London's fashionable Knightsbridge area, is accused of involvement in a fraud in which investors with Credit Suisse Fides Trust (CSFT) were persuaded to invest $70m in supposed transactions in "prime bank instruments" such as stand-by letters of credit. The transactions, they were told, would yield returns of up to 50 per cent a year.

In the High Court in London yesterday, Mr Cuoghi lost an attempt to have the Swiss authorities, in effect, carry out investigations on his behalf. The final *habeas corpus* hearing to decide whether he will be sent to Switzerland to stand trial is now expected later this year.

The case has proved highly embarrassing for CSFT because a senior vice-president with the company has admitted working with Mr Cuoghi to carry out the alleged fraud. Mr Balz Voellmin, who worked in the company's Geneva office, signed contracts on behalf of CSFT which enabled the alleged fraud to take place. Investors have claimed Mr Voellmin's involvement in the scheme was crucial to their agreeing to invest.

The case is little known outside Switzerland because, until recently, many UK court hearings over Mr Cuoghi's activities have been held in secret while CSFT has kept a low public profile over the affair.

But the matter has attracted the attention of banking security experts who follow cases of alleged prime bank instrument fraud – a form of financial crime that has mushroomed over the past decade.

Prime bank instrument frauds typically involve investors being told a convincing story of how apparently genuine financial instruments can be sold on a secondary market and produce exceptionally high returns. However, the instruments turn out to be bogus, no transactions ever take place and the invested capital is lost.

The alleged fraud took place at the company's Geneva offices between June 1992 and October 1994, when it was uncovered. Mr Voellmin has admitted his role in events and is co-operating with Swiss prosecutors.

According to the evidence put to the UK Court of Appeal in December over an order freezing some of Mr Cuoghi's assets, investors deposited a total of $70m with CSFT to be used in transactions in stand-by letters of credit, bank guarantee discount operations and Eurodollar bond investments.

The investors, usually professional investment managers handling clients' money, were promised returns or "commissions" of between 30 and 50 per cent.

Investors dealt with Mr Voellmin at CSFT. Investors' money was then passed to Mr Cuoghi to invest in the supposed transactions, the court was told. But no such transactions ever took place and although commissions were paid, they were funded by money coming in from other investors, it is claimed.

In March 1994, there was no money to pay commissions. To do so, Mr Voellmin has admitted stealing $22m from two other client accounts at CSFT. The bulk of the money was used to pay commissions. The remainder, the UK courts have heard, was used by Mr Cuoghi in October 1994 to buy a majority stake in the small Frankfurt-based Deutsche-Schweizerische Bank (DSB).

The bank then ran out of capital and was closed down by German banking authorities in early 1995.

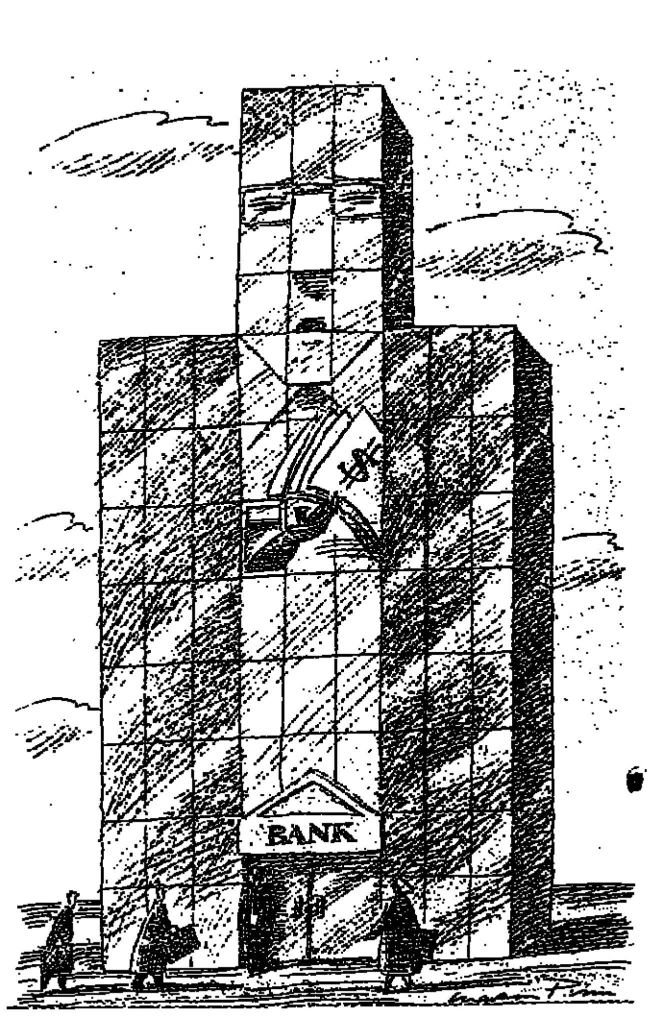
The alleged fraud was discovered when CSFT investigated a bill of exchange signed by Mr Voellmin. This purported to confirm that CSFT held $100m in an account for Fendal Investments, a British Virgin Islands company whose directors included both Mr Cuoghi and Mr Voellmin.

The bill of exchange was used in the purchase of DSB. However, no such account with CSFT existed, the courts have heard. Mr Voellmin was arrested and the extradition proceedings against Mr Cuoghi begun.

At yesterday's hearing, lawyers for the Swiss government succeeded in overturning an earlier court order that letters of request should be issued asking the Swiss to determine whether both Mr Voellmin and another CSFT employee had given dishonest testimony and whether the transactions had been properly authorised by CFST, contrary to what the company has claimed.

Before his final extradition hearing, Mr Cuoghi should be allowed to obtain more evidence from the two men and have access to minutes of CSFT board meetings, his lawyers said.

The judge, Mr Justice Carnwath, ruled in favour of the Swiss government, saying Mr Cuoghi's claim was simply an assertion.



Credit Suisse trust fights some damages claims

By John Mason

The involvement of a senior insider in the alleged fraud at Credit Suisse Fides Trust has led to controversial civil court cases in Switzerland and arguments whether some investors acted in "bad faith".

Two investors have mounted claims for damages approaching $70m, insisting CSFT honour the contracts Mr Balz Voellmin entered into. CSFT is refusing to pay, maintaining the contracts are legally invalid because some investors should, in effect, have known what they were dealing with.

The investors include a Swiss investment manager who invested some $49m on behalf of clients and a Mr Helmut Disch, a German broker who invested $1.48m of his parents' money. A German investment company is not involved in court action but is seeking an out-of-court settlement.

The losses suffered by investors vary but both the Swiss investor and Mr Disch are claiming damages for the loss of initial capital and the promised returns.

Dr Dieter Hauser, president of the CSFT executive board, said these investors acted in "bad faith" because they were professional investment managers who should have known about the dangers of prime bank instrument fraud and the improbability of guaranteed returns of up to 50 per cent.

Dr Hauser said some of those who lost money had been compensated because the bank held that they had acted in good faith. "Something wrong happened in our company. When that happens we have to take responsibility and pay compensation."

The suggestion of bad faith is firmly rejected by the investors. Dr Franz Satmer, Mr Disch's lawyer, said: "Mr Disch was a professional broker. He did not have specialised banking expertise. He relied upon the knowledge and expertise of the banks and institutions he was brokering clients to and always chose first class institutions such as CSFT."

CSFT has also had to examine why its controls proved so inadequate that internal audits, the back office and supervision by Mr Voellmin's superiors all failed to detect his activities for more than two years.

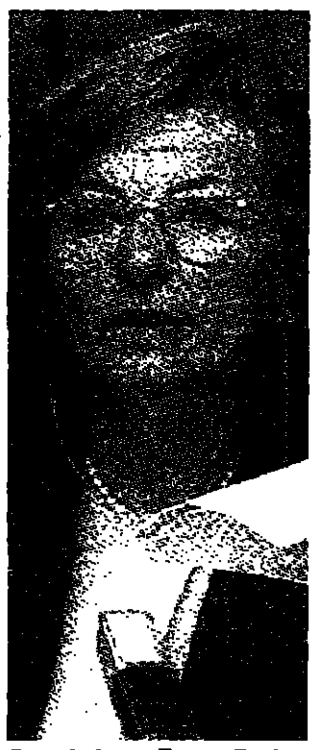
Dr Hauser admits: "Nobody expected this. The person worked with us for many years and was thought to be a person we could rely upon."

The discovery of the alleged fraud and Mr Voellmin's role on it came as an unwelcome surprise, he agrees.

"It was very bad news. Discovering one of your vice-presidents is a criminal is a rough wake-up in the morning," he said.

Obstacles still hinder purchase of insurance and banking products, says Brussels

Financial services held up at borders



Commissioner Emma Bonino: "We are sending a signal"

By Neil Buckley in Strasbourg

EU states and financial services groups are failing to embrace the single market fully, the European Commission said yesterday as it launched a campaign to sweep away remaining barriers to cross-border selling of insurance and banking products.

In a green paper, Mr Mario Monti, financial services commissioner, and Mrs Emma Bonino, consumer policy commissioner, said significant progress had been made in liberalising cross-border selling of financial services. More than 50 directives had been issued, but member states had not implemented all of them, and financial services groups were not always selling products internationally when they could.

"We are sending a signal. The Commission is saying we think financial services, like other goods, should be arranged so that the single market benefits consumers," Mrs Bonino said. "This is an industry that has not completely taken on board the implications of the single market. There are major disparities between countries."

The paper targeted seven problem areas to be tackled:

- Some companies were still refusing to sell financial services to consumers not resident in the state in which they were based. The Commission said it had received complaints from consumers that they were being refused insurance, or charged higher premiums, on the grounds that they came from certain EU countries, and so represented a higher risk.
- Member states could still impose domestic rules which limited sales of certain types of products or services – for example, interest-bearing current accounts were still illegal in one member state.
- Even where financial institutions were offering services such as mortgages or consumer credit on a cross-border basis, they sometimes failed to provide adequate information or customer service. Problems encountered included documents not being translated into the language of the consumer, or figures presented in a misleading way.
- Unregulated financial intermediaries were taking "aggressive", and sometimes illegal, actions to sell banking and investment products, which were causing "considerable distress or even hardship". Consumers seeking credit were offered apparently attractive conditions by brokers representing foreign institutions, but the information turned out to be poor.
- Many consumers were complaining about the difficulty of enforcing cross-border contracts.
- Lack of tax harmonisation made it difficult, for example, to deduct contributions to life assurance or mortgage repayments in another member state.
- Motor insurance presented particular problems, with insurance of victims of an accident involving a vehicle from another member state but caused by a local vehicle not covered by the current green card system.

The paper also warned that the rapid growth of electronic banking and financial services, by telephone or PC, could promote the single market, but presented special problems of regulation and consumer protection.

The Commission is inviting comments by October 15, before drawing up policy proposals in a white paper. But consumer groups said it was not acting quickly enough to create a financial services single market, compared with progress in other sectors. There were "many concrete initiatives which should have been taken by now", said the Bureau Européen des Unions de Consommateurs, the European consumers' organisation.

"[The paper] seems to be rather passive in its approach, tending to wait for problems to arise rather than taking the initiative."

UK disruption pledge arrests talks on Europol

By Bruce Clark in Brussels

Negotiations over how much say the European Court of Justice should have over the proposed European Union police agency, Europol, were proceeding amicably until this week's pledge by Britain to disrupt EU business, diplomats say.

Officials involved in the negotiations say they still believe that disputes over the court's role, which has held up a convention bringing Europol into full-blooded existence, can be finessed if London shows a minimum of flexibility.

The establishment of Europol is a top priority for German Chancellor Helmut Kohl, who said last week that failure by the EU to mount a co-ordinated fight against crime could lay the ground for a resurgence of the extreme right.

"Internal security" would be one the main issues facing the EU in the next century, he said during a visit to the European Commission.

"Politicians who do not understand that need not stand for re-election."

Britain has accused all its partners of erecting unnecessary barriers to the establishment of Europol by insisting on giving the court some responsibility for the agency. But behind-the-scenes exchanges on the precise delineation of the court's role have been conducted in a friendly atmosphere and, at least before this week, there seemed to be a fair chance of reaching agreement by the Florence heads of government summit next month.

EU legal experts have laid out the case for giving the court a role by mapping out six examples of cases where the court would need to be consulted. UK officials have demurred from all these arguments, while stressing that they remain "open to persuasion" on the usefulness of involving the court.

In the latest move, a working group from the other EU nations has commented on the British objections, and found merit in some of them. This group's conclusions are understood to be under consideration in London.

Among the "examples" cited by the EU experts are:

- The ECJ might need to pronounce on whether data exchanged through the Europol network could be used as evidence in trials by national courts.
- The court might be needed to ascertain liabilities in cases where peoples' interests were damaged by information transmitted along the Europol network.
- The court might be called on say whether Europol had acted improperly in allowing leaks of information which was supposed to kept confidential.
- The ECJ might be drawn in to cases where an individual applied through his or her own country's courts for access to information in the Europol files.

Some member states believe the court should have broad responsibility to pronounce on what sort of information Europol should be allowed to keep on its data bank.

The Benelux countries last week urged the Italian presidency to come up with a compromise proposal which made possible, but not compulsory, a recourse by national courts to the court on certain issues.

Germany will be pressing hard for progress on the issue at the next EU justice ministers' meeting on June 4.

The atmosphere of this discussion is likely to be strongly influenced by the outcome of the farm ministers' meeting which is due to be held a day earlier.

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Romanian airline chief replaced

By Virginia Marsh in Budapest

Romania yesterday bowed to pressure from unions and replaced the general manager it had brought in to shake up the national airline, Tarom, a week after appointing him.

The move follows angry scenes when 200 technical workers occupied the airline's offices on Monday, forcing the management to leave as Mr Gheorghe Racaru was finalising his contract to take over the running of the heavily indebted state-owned carrier.

The incident comes just weeks after a representative of the State Ownership Fund (SOF) – which holds stakes in state companies – died after being taken hostage overnight by angry workers at a packaging factory in Turnu-Severin in western Romania.

In a terse statement, the SOF, which holds 70 per cent of Tarom, said it had reappointed the former board. It was not clear whether Mr Racaru would return to his previous position as deputy general manager.

Mr Racaru had been general manager before 1993 and had returned to the job promising a radical shake-up of the airline, which is believed to have debts of about $400m.

He said at the weekend he intended to dismiss 400 of Tarom's 3,500 employees and to keep just 16 of its 64 aircraft in service by withdrawing Soviet-made ones, mainly used on internal flights. Tarom has already agreed to hand over some routes to DAC-Air, a new private airline which is due to launch its first internal service on Monday.

The technical workers had supported another candidate who was believed to favour a less radical restructuring, and they argue that Mr Racaru had a poor track record in his previous spell at the head of the company. Government officials upheld the workers' claim that the process for appointing him had been incorrectly and hastily organised by the SOF.

Concern over safety standards at Tarom has mounted since one of its Airbus A310s crashed last year with the loss of 60 lives and since recent fatal accidents involving other Romanian airlines.

Tarom has been under financial surveillance since last September. But its future is politically sensitive in an election year and the government is considering giving the company special status due to its strategic importance.

Communists cry foul in Russian poll

By Chrystia Freeland and John Lloyd in Moscow

A leading communist yesterday accused Russian President Boris Yeltsin of planning to rig next month's presidential election and said the Kremlin was blocking the opposition's access to the media across the country.

The charges came as several opinion polls showed a lead for Mr Yeltsin over his communist rival, Mr Gennady Zyuganov.

"I think the results of the election will, in simple terms, be falsified," said Mr Viktor Illyukin, a hardline communist who is the head of the parliament's security commission.

"I think the president will not be elected, he will be named," Mr Illyukhin said. "Boris Yeltsin will be declared president although Gennady Zyuganov will win."

Communist officials also circulated copies of a letter purportedly sent by a regional governor in which he ordered all local newspapers regularly to publish reports written by Mr Yeltsin's campaign staff.

Russia's three national television stations devote disproportionate airtime to Mr Yeltsin. Opposition candidates, including Mr Zyuganov, have been ignored by the regional media on their campaign tours of the Russian provinces.

Each of the 11 candidates is entitled to 30 minutes of free air time on each of the two national stations and the St Petersburg channel. They can also buy an equal amount of time. But the limits have not affected Mr Yeltsin, who has mustered all the power of incumbency to dominate the media, especially television. He is on virtually every newscast.

Mr Igor Bunin, head of the Centre for Political Technologies and an adviser to Mr Yeltsin, said the president's lead in four out of five recent surveys meant that – barring accidents – Mr Yeltsin was almost certain to win.

However, in the past Russian opinion polls have proven to be an inexact science and some analysts warned that rural voters, one of the most committed communist constituencies, were overlooked by many of the recent surveys.

Russia's turbulent political game could also throw up a wild-card in the three-and-a-half weeks remaining before the ballot. One possible source of trouble is war-torn Chechnya, where at least 40 Russian soldiers were reportedly killed yesterday in an attack by besieged Chechen separatists.

The battle is the most serious clash since the killing last month of Mr Dzhokhar Dudayev, the first Chechen separatist leader, and is an unwelcome reminder for the Kremlin that Mr Dudayev's death has not ended the Chechen drive for independence.

In a pre-election attempt to demonstrate his willingness to negotiate an end to the 17 month war in Chechnya, Mr Yeltsin has said he would visit the region later this month. However, some of his advisers have cautioned that the security risk is too great and yesterday's attack could add weight to these warnings.

'Red belt' peasants to vote collectively

Chrystia Freeland reports from the village where workers earn $6 a month and a bus ticket costs $4

In the Kremlin, and on the buzzing streets of the swish shopping district which surrounds it, confidence is rising that Russian President Boris Yeltsin will comfortably win next month's presidential election.

But in the depressed villages beyond the reach of most opinion pollsters, many of Russia's peasants are still hoping the ballot will put the Communists back in power.

The reforms launched by Mr Yeltsin four years ago have brought prosperity to the growing middle class in Russia's biggest cities, but the transition to a market economy has been devastating for the countryside. Last year's harvest was the worst in three decades and impoverished rural voters responded by backing the Communist party overwhelmingly in parliamentary elections last December.

In Privolnoye, a sleepy village of 4,000 citizens in the southern Russian swathe known as the "red belt" because of its political inclinations, condemnation of the current regime is unanimous. Although it is the birthplace of the former president, Mr Mikhail Gorbachev, who first began to reform communism, old and young alike crave a return to the certainties, and the shabby economic guarantees, of the Soviet era.

"If they could make things as they were before, that's what I would like," says Mrs Raisa Raskina, a 47-year-old woman who earns her living peddling used clothes and kitchenware from a tattered plastic bag she carries on the handle-bars of her ancient bicycle. "That's why I will vote for the Communists."

In the old days, Mrs Raskina was the town's insurance saleswoman. But after the hyperinflation of the early 1990s devoured their savings, the people of Privolnoye became wary of putting their money into savings accounts or insurance plans. Mrs Raskina said that this year she couldn't sell a single policy.

Her family's income has been further diminished by the collapse of the collective farm, the main employer in the village. Like most of the Russian agricultural sector, the Privolnoye farm is in such dire straits it has sold off all of its livestock and the monthly salary for farm workers, when they are paid at all, is Rbs30,000 ($6). A bus ticket for the two-hour trip to Stavropol, the nearest city, costs Rbs20,000 ($4).

"For the past four years they have done nothing but tear the country apart," says Mrs Maria Gopkalo, a retired teacher whose husband once worked on the collective farm. "They want to sell land and have private farmers, but here in Russia we need collectives."

Like most of the villagers, Mrs Gopkalo is shabbily dressed and poorly shod, and says that in winter she is hard-pressed to buy enough food for herself and her husband. Yet she is more concerned about her grandson, who, she says, is an excellent student but will not go on to university because the family cannot pay for the education which, under Soviet rule, was free. And without a degree, she worries that he will never escape his dying hometown.

Local youths, smoking rough Russian-made cigarettes and chewing sunflower seeds on a street corner, suggest that Mrs Gopkalo has good reason to be concerned. Attempting to strike menacing poses as they lean on their rickety bicycles, they form a sad contrast with the children of the rich in Moscow's extravagant night clubs.

"Life is very boring here. We drink, we go wild, we steal our neighbours' chickens," says Valery, a tattooed 23-year-old who describes himself as a businessman. "Why work, when every day life just gets worse and worse. It is better to steal things and sell them at the bazaar."

Like millions of disaffected blue-collar Russian men, Valery plans to vote for Mr Vladimir Zhirinovsky, the flamboyant ultra-nationalist.

If the polls are accurate, Mr Yeltsin can expect to triumph next month despite the despair of young men like Valery and his elders in thousands of villages across Russia.

However, if the president is endorsed for a second term, one of his most daunting challenges will be to improve the lives of the impoverished voters of the "red belt".

Communist party leader Gennady Zyuganov addressing an election rally yesterday some 500km south-east of Moscow

Russia's central bank has intervened to protect one of the country's largest commercial banks from its creditors following persistent rumours about liquidity problems at Unicombank, writes John Thornhill in Moscow.

The bank, rated one of the top 20 in Russia with 250,000 private depositors, confirmed it was facing a "management crisis" but denied it was in financial difficulties.

Many of Russia's 2,500 commercial banks appear to be in a parlous financial state as the sharp fall in inflation to less than 2 per cent a month has made conditions more demanding.

But Russia's banking authorities appear desperate to prevent a rash of banking crashes before next month's presidential election, while stressing they will refuse to bail out those banks which have run into difficulties.

The central bank, which has little regulatory experience, has been trying to develop mechanisms to protect troubled banks from their creditors and allow them to restructure.

Nearly 9m join 'potentially most destabilising' migrations since 1945

Ex-Soviet peoples on move

By Frances Williams in Geneva

Nearly 9m people have moved within or between the 12 countries of the former Soviet Union's Commonwealth of Independent States since 1989 in what a report published today described as "the largest, most complex, and potentially most destabilising" population movements in any region since the second world war.

One in 30 of the total CIS population has been affected by this mostly involuntary and continuing migration, the report says. In the five Central Asian republics one in 12 inhabitants has moved since 1989.

While armed conflicts have been the source of some of the biggest population shifts, many have been prompted by circumstances unique to the CIS, notably the break-up of the Soviet Union in 1991, Stalin's forced deportations and environmental degradation.

The report warns that the region remains an ethnic powder-keg with the potential for destabilisation on a global scale. It was prepared for a conference on CIS migration problems in Geneva next week hosted by the United Nations High Commissioner for Refugees, the International Organisation for Migration and the Organisation for Security and Co-operation in Europe.

TEN LARGEST POPULATION SHIFTS IN THE FORMER SOVIET UNION SINCE 1989

Nagorno-Karabakh to Azerbaijan	684,000
Kazakhstan to Russia	614,000
Displaced inside Tajikistan	600,000
Chechnya to Russia	487,000
Kazakhstan to Germany	480,000
Uzbekistan to Russia	400,000
Tajikistan to Russia	300,000
Azerbaijan to Armenia	299,000
Kyrgyzstan to Russia	296,000
Abkhazia to Georgia	273,000

Among the population movements described in the report:

● About 3m people have fled seven conflicts in CIS countries since 1988, when Armenia and Azerbaijan went to war over the enclave of Nagorno-Karabakh. The latest conflict, in the breakaway region of Chechnya, has displaced about 500,000 people.

Nearly 700,000 are 'ecological' migrants from Chernobyl and a former Soviet nuclear test site

● The break-up of the Soviet Union into 15 separate states left between 54m and 64m people – a fifth of the total CIS population – outside their "home" territories. More than 3m of these people have "returned", mostly to Russia.

● Between 1936 and 1952, Stalin deported more than 3m people, including entire populations. Among them were Volga Germans, Crimean Tatars and Meskhetians from Georgia who were still exiled when the Soviet Union disintegrated. Some 850,000 Germans have since left for Germany, and another 330,000 people, the bulk of them Crimean Tatars, have returned to their homeland.

● Nearly 700,000 people are "ecological" migrants from areas such as the Chernobyl district, the Aral Sea basin and the former nuclear test site at Semipalatinsk in Kazakhstan.

● About 450,000 illegal immigrants are in Russia, many trying to reach the west.

Next week's conference, to be attended by representatives from all CIS members and 36 other nations, is expected to approve an action programme to help strengthen the rights of refugees and other migrants and defuse tensions that could lead to conflict and further displacement.

■ Azerbaijan yesterday offered an amnesty to thousands of petty criminals in its overcrowded prisons, Reuter reports from Baku.

The Azeri parliament approved a decree by President Haydar Aliyev to free prisoners aged over 60, war veterans, women and children convicted of "minor crimes" such as theft.

The decree followed a riot at a prison near Baku, the Transcaucasian state's capital, at the weekend. Interior ministry troops were called in and several people were reported injured.

Mr Aliyev's press office said 7,000-8,000 people were expected to be covered by the amnesty. In addition to those in jail, it applied to people who had yet to be charged with minor offences and suspended cases against those who had been charged.

How Czech with five shares cast doubts on telecoms venture

Small shareholder's $1.45bn veto

Vincent Boland in Prague reports on a court ruling that has embarrassed the national telephone company

Over a cola in a quiet Prague bar Mr Martin Mosinger, holder of five of the millions of shares in the Czech telephone company, SPT Telecom, contemplates the embarrassing dilemma he has forced on the government and the company, and sounds almost sorry about it.

Arguing that his rights as a minority shareholder were abused, he has succeeded in getting a court to cast doubts on the validity of last year's $1.45bn deal under which TelSource, a consortium of PTT Telecom Netherlands and Swiss Telecom, took a 27 per cent stake in SPT.

"Nobody took me seriously," he says, outlining the measures he took to convince SPT that the transaction might be legally unsound, before resorting to the courts. "It is their problem now, not mine."

The "problem" arises from a commercial court ruling on May 10 that a meeting of SPT shareholders in February 1995 clearing the way for a stake to be sold to a foreign partner was invalid. This was because the government did not have a proper power of attorney to exercise the voting rights of the National Property Fund, the state holding company that owned 100 per cent of SPT at the time, and now owns 51 per cent.

The meeting passed resolutions amending the company's statutes, appointed new board members, and decided to proceed with the alliance.

According to legal experts, the meeting did not decide that people who became SPT shareholders under a coupon privatisation scheme would not have pre-emption rights on the new shares to be issued to the strategic partner.

Mr Mosinger is claiming pre-emption rights on those new shares. The government says that pre-emption rights were restricted by SPT's statutes and that, in any case, the new shares were issued to allow the partner to merge with SPT and not for subscription.

Mr Mosinger claims to be acting on behalf of an "association" of shareholders who own a combined 3,000 shares in SPT and want to see an end to the partnership with TelSource. The sale of 27 per cent of SPT to TelSource last June was the high point of the government's privatisation drive and attracted huge international interest.

The tender was fiercely opposed by some Czech companies and banks, which claimed that there was sufficient domestic capital to finance SPT and that no partner was needed. The government last spring saw off another legal challenge that succeeded in delaying the tender by weeks.

The fresh challenge is "primarily technical", lawyers who have studied it say. The cost of overturning such an important transaction purely on a technicality would be far greater than any settlement that may have to be made with Mr Mosinger, one said.

In a joint statement, Mr Karel Dyba, the economy minister, SPT and the NPF rejected the ruling as "unjustified" and said it would have no impact on the partnership. Mr Dyba "had all the necessary documents so as to be authorised to execute shareholders' rights", it said. "Due to the existence of a legally valid mandate agreement, a 'technical' legal debate on the validity of the power of attorney does not constitute sufficient reason for abrogation of the resolution of the general meeting."

"We feel confident the judgment will be reversed on appeal," says Mr Roland Behm, a lawyer with Squire, Sanders & Dempsey, the firm that advised the government and SPT in the tender for the stake and that is also advising on the appeal.

Brazil business hits at Cardoso on economy

By Angus Foster in São Paulo

Brazil's most powerful business leaders yesterday called on the government to relax its tight money policies and speed up approval of the country's economic reforms.

The call, an implicit criticism of President Fernando Henrique Cardoso, added to pressure for government action amid opinion polls suggesting its popularity is falling.

In a high-profile annual meeting of more than 2,000 businessmen, in the capital Brasilia, leaders delivered a document to Mr Cardoso, asking the government and Congress to approve speedily social security and civil service reforms so as to cut public sector spending.

"The slow speed at which these reforms are being handled in Congress, and the successive concessions regarding their depth and reach, are unacceptable," the document read. Business leaders also attacked Brazil's high interest rates and slow progress in reducing the burden of tax and bureaucracy on business.

In a speech to the business leaders, Mr Cardoso said opposition tactics and complicated procedural rules in Congress meant the reforms were going as quickly as possible. "Let's do the reforms, but for this I need the support of the Brazilian people," he said.

The president also tried to silence criticism of Brazil's high interest rates, saying nominal rates had fallen from 4.5 per cent a month last year to about 2 per cent a month. Business leaders believe real rates, now above 12 per cent a year, are still far too high.

Mr Cardoso and his ministers consistently blame Congress for the slow approval of the reforms, which were first proposed 15 months ago. The president's coalition is weak and the guilder. The economy relies on time-consuming, individual negotiations between interest groups.

The business leaders' criticisms follow opinion polls, released at the weekend, suggesting Mr Cardoso's popularity has fallen sharply in the last two months. The percentage of people classifying his government as good or very good has fallen from 38 per cent in March to 25 per cent, probably reflecting concern about rising unemployment and media criticism of the government's social policies.

The apparent fall in popularity has worried some government members since it could strengthen the hand of opposition groups in Congress. It could also add to pressure on the government to relax its attack on inflation in order to pursue faster economic growth.

In a further indication of unease with the government's tight money economic policies, which saw the economy shrink 2 per cent in the first quarter, Brazil's biggest union groups are planning a one-day general strike on June 21. The unions are demanding policies to create jobs and higher pensions. Civil service unions have been on strike for higher wages since last month, although few government departments have been seriously affected.

US minimum wage rise bogged down

By Jurek Martin, US Editor, in Washington

The House of Representatives was on track yesterday to pass an increase in the US federal minimum wage, but probably with conditions that might cause problems in the Senate and with President Bill Clinton.

Even Senator Don Nickles, Oklahoma Republican, warned that his colleagues would certainly want to make the House bill "better". Senator Tom Daschle, Democratic leader in the Senate, promised unspecified amendments, meaning that Senate action is probably two weeks or so away.

The twin issues of raising the minimum wage – to $5.15 an hour from the $4.25 in force since 1989 – and suspending for the rest of the year the petrol tax of 4.3 cents a gallon enacted in 1993 have tied up Congress for weeks, in a classic election-year confrontation between the two parties.

On Tuesday night, the House did approve, by 301:108, the petrol tax reduction, touted as relieving pressure on pump prices, though these are forecast to drop in any case.

The estimated $2.9bn loss in revenues would be mostly financed by further auctions of the digital broadcast spectrum and, in a partisan twist inserted by Republicans, by cutting the travel budget of Ms Hazel O'Leary, energy secretary.

For Republicans, this was also an opportunity to demonstrate determination to eradicate a "Clinton tax hike". Congressman Newt Gingrich, House Speaker, had promised a House repeal of the petrol tax by this weekend, when the Memorial Day holiday ushers in peak summer driving.

Similarly, the Republicans in the House are determined to link the minimum wage increase, a Democratic priority, with another proposal to exempt all small businesses (those with annual sales of $500,000 or less) from having to pay it. Current law exempts most small businesses but not those principally engaged in inter-state commerce.

Although the tax breaks and the minimum wage are to be voted on separately, the Republican leaders are selling them as a package to reconcile party conservatives, who oppose the wage increase, and moderates. But Mr Gingrich conceded that Mr Clinton might veto the small business provision if it survives in the Senate.

Senator Bob Dole, Senate majority leader and presumed Republican presidential candidate, has denied Democrats a straight vote on the minimum wage for weeks, as they have denied him a petrol tax division.

His departure from the Senate next month, on resignation, may break this impasse, but probably not if his successors continue to insist on passing another bill on collective bargaining which is vehemently opposed by organised labour and the Democrats.

Bahamas plans unhurried sell-offs

Canute James reports on progress towards electricity and telecoms privatisation

The Bahamas government is preparing to offer local and foreign private investors a stake in its electricity and telecommunications companies and a partnership with Bahamasair, the national airline, as it nears completion of its privatisation plan's first stage.

The government reached agreement on the sale of a big hotel in Freeport last month, leaving a 700-room property in Nassau as the last hotel to be privatised. "After this, we will look first at the electricity company, and then the telecommunications company," said Mr Frank Watson, deputy prime minister responsible for privatisation.

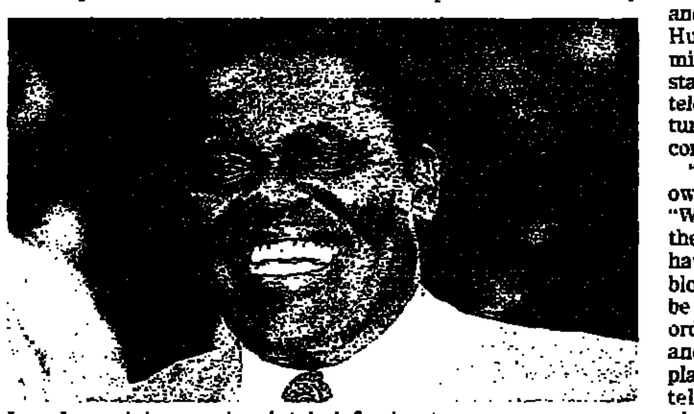
But he cautioned that the government would not hurry privatisation of the companies and that this would take it beyond the next election, due in 18 months. "The government did not rush to sell these companies in its current term because there was really no hurry as they are making money," Mr Watson said.

The planned sales are part of a government efforts over the past four years to reduce the state's involvement in the economy, which had increased under the 25-year administration of Sir Lynden Pindling. The airline and hotels had built up large losses and have been accused of mismanagement. Some state enterprises, notably in the vital tourism sector, also need to improve technology and capacity to keep pace with demand.

The government has won plaudits from foreign observers for its policies. "This government gets good marks for getting things done," said Mr Steven Glegerich, economic and commercial officer at the US embassy in Nassau. "The companies which are likely to be privatised need restructuring. The quality of service offered by the telecommunications company, for example, has been an impediment to the financial services sector. So the government is moving in the right direction."

However, the opposition Progressive Liberal party has been critical of the way the hotels have been privatised. "Some hotels were literally given away to foreign investors," claimed Mr Obie Wilchcombe, PLP chairman. "One which was worth $20m was sold for $8m. The foreign investors have been very happy."

But party officials say that if it regains office next year, the PLP will respect agreements with foreign investors and will consider further privatisation if this improves the efficiency of the enterprises.



Ingraham: state cannot maintain infrastructure Photo: Ashley Ashwood

First on the government's privatisation list is the Bahamas Electricity Company, which provides 70 per cent of the country's power. Although sale of the power company is several months away, there is already one likely bidder. Southern Electric of the US, which is co-owner of the Freeport Power Company in Grand Bahama, will consider buying into the BEC, said Mr Larry Brantley, Freeport Power's chief executive. "If the Bahamas Electricity Company is up for sale, then we would be interested," he said.

Second on the sell-off list is the Bahamas Telecommunications Company, has been the subject of complaints by the business community, particularly the offshore financial services sector, for its inefficiency and relatively high rates. Mr Hubert Ingraham, the prime minister, has admitted: "The state is unable to maintain the telecommunications infrastructure demanded by the business community."

"We are looking at a mix of ownership," said Mr Watson. "We want a new partner and the Bahamas private sector to have majority share holding. A block of under 50 per cent will be sold to a major company in order to bring us experience and technology. This is the plan for the electricity and the telecommunications companies."

The privatisation will be through competitive bidding, except for Bahamasair said Mr Watson. The airline has been unprofitable, although government officials claim that recent changes in its structure and administration have cut costs and increased prospects for profitability. "We are looking for a partner which will likely be a foreign carrier," said Mr Watson. "The government will have to assume the liabilities of the airline when it is being privatised."

With the country made up of several hundred islands, of which about 30 are inhabited, the government will insist that the new owners will have to fly routes which are not commercially viable, but which are needed to parts of the country.

"Such special arrangements might also have to be made by the electricity company in cases where service is provided to small islands which do not have a large enough market to make it profitable," said Mr James Smith, governor of the Bahamas central bank. "This will be either a transparent subsidy or an agreement with the private owners."

The government expects the new owners of the companies will accept this, particularly as they will be allowed to continue as monopolies for several years after privatisation.

Such concerns about the provision and cost of services have led to a delay in offering the water company for sale. Northwest Water of Britain is overseeing a $300m sewerage management plan in the Bahamas, but Mr Ingraham says much more needs to be done with the water company.

"The company requires significant capital investment," the prime minister said. "Rates will jump if it is privatised, so we will not be offering it for sale." An alternative, say officials, is increasing purchases of water from private companies such as Bacardi, the distillers, which is selling water to the state-owned company.

Surinam strongman seeks electoral comeback today

By Canute James in Kingston

Surinam's former military strongman is making a strong challenge to become president via elections today, after being defeated in two previous polls.

Mr Desi Bouterse, who mounted coups in 1980 and 1990, and led a military dictatorship from 1980-1987, is neck and neck with the incumbent president, Mr Ronald Venetiaan, in the former Dutch colony of 450,000 people on the north-eastern shoulder of South America.

Mr Bouterse, 50, has promised to reverse many of the economic reforms implemented by Mr Venetiaan's government over the past five years.

Deregulation of the economy, including a structural adjustment programme, has eroded the administration's popularity, as has billowing inflation and the collapse of the Surinamese guilder. The economy, which has been contracting since the mid-1980s, is based on agriculture (bananas and rice), and fishing, as well as on bauxite mining and refining, and on aluminium smelting.

The party of Mr Bouterse has campaigned for "respect for the country's sovereignty", and said it would review all agreements with foreign companies if it took office. "Just like the time we were in power, our focus will be to increase local production and develop new industries," Mr Bouterse said.

Mr Venetiaan, 59, claims his administration has been successful in controlling the army and having Mr Bouterse and other leaders resign from the military three years ago. His government also signed a pact which ended a protracted rebellion in the interior.

The president's supporters say election of Mr Bouterse would lead to renewed economic collapse, international isolation and violation of human rights.

The election today will be for the national assembly, whose new members will subsequently hold a presidential election. To win the presidency, a party needs a two-thirds majority in the assembly. Failing that, the united people's conference, which also contains local and regional councillors, would elect the president by simple majority.

Mr Bouterse is thought likely to be better supported among councillors.

Disbursement of funds made conditional on restructuring at the African Development Bank

Donors pledge $2.6bn in soft credits for Africa

By Paul Adams in Abidjan

Donor members of the African Development Bank have committed at least $2.6bn for its soft credit arm, the African Development Fund, ending a two-and-a-half year freeze on new lending.

The impasse over the fund's replenishment overshadowed annual meetings last year and in 1994.

Disbursement of funds over the next two and a half years will be conditional on restructuring the bank and will depend on whether changes, recommended in external reports on the AfDB's governance and financial management this year, are implemented.

The most crucial issue – reforming the bank after years in which it was plagued by corruption scandals and open conflict between the former president and the directors – has yet to be resolved.

AFRICAN DEVELOPMENT BANK
(Figures in millions of Units of Account*)

	1991	1992	1993	1994	1995	1996
Disbursements	1,030	1,061	1,044	1,000	712	
Yearly loan approvals	1,576	1,358	1,174	969	449	
Arrears	160	249	400	378	546	539

*One Unit of Account = US$1.50

Cash-strapped donors are unlikely to press their demand for an increase in the non-African shareholding from a third to a half.

But they have called for all decisions to require a two-thirds majority. This would guarantee the non-Africans more say in the AfDB, with or without a larger percentage of the shares, at the next general capital increase.

When the ADF ran out of resources in 1994 the non-African members blocked the replenishment because they believed the bank was mismanaged. Donor contributions to the fund remain tight as four donors have cut their share of contributions: the US, which announced it could only provide $200m and is in arrears to other development banks, Japan, which gives priority the Asian Development Bank replenishment, Canada and Italy.

Although the $2.6bn is $400m less than the fund wanted, Japan hopes to top it up with a extra money at a donors' meeting next month in Osaka. The commitment includes $1.6bn in new money and $1bn of recycled funds, cancelled commitments and arrears, including $300m which Italy pledged but failed to pay at the last ADF replenishment.

The bank's loan arrears remain an acute problem. Mr Omar Kabbaj, the bank's reformist president, reminded governors yesterday that 24 countries were in default to the AfDB, compared with only five to the World Bank.

Disbursements and new approvals are declining as the AfDB has tightened credit policy so that only 14 members qualify for concessional loans and sanctions come into effect if payments are 30 days late.

Twenty-four countries are in arrears but 75 per cent of the $800m owed is accounted for by by six long-term defaulters with severe economic problems: Zaire, Congo, Cameroon, Angola, Liberia and Somalia.

Member governments are impressed by the speed and determination with which Mr Kabbaj has addressed the problems. The bank has sacked 240 staff, slimmed down the management, and hired 70 per cent of new managers from outside and is improving project monitoring, treasury management and budget procedures.

A report by Ernst and Young on malpractices at the AfDB since 1993 is due out next month.

The executive board of the International Monetary Fund yesterday voted unanimously to reappoint Mr Michel Camdessus as its managing director, giving the 63-year-old Frenchman an unprecedented third five-year term, Robert Chote writes. The vote took place as the IMF board celebrated its 50th anniversary.

Mr Camdessus has won widespread respect as a tough negotiator and effective administrator despite annoying most of the influential lobbies within the IMF's membership at one time or other.

OECD agrees action to fight bribery

By Guy de Jonquières and Gillian Tett in Paris

The US yesterday scored a success in its campaign for tougher international action against corporate corruption, when industrialised countries agreed to make corporate bribery of foreign government officials a criminal offence.

But the agreement, at a ministerial meeting of the Organisation for Economic Co-operation and Development, was only reached after a last-minute concession by France, which had sought a less binding commitment.

France backed down after winning the ministers' backing for a proposal that the World Trade Organisation be asked to begin talks, and possibly initiate negotiations, on trade and investment – an idea towards which the US had been cool.

The US is the only country to have outlawed bribery of foreign officials. As well as pressing other OECD members to pass similar legislation, it is urging action in the WTO against strong opposition from many developing countries.

The OECD ministers agreed to "criminalise such bribery in an effective and co-ordinated manner" and to re-examine the tax deductibility of bribes to foreign officials, where this was still permitted. The ministers have agreed to consider proposals for international anti-bribery instruments next year.

The agreement was heralded by the group as an example of the role the organisation could play in promoting international trade.

However, ministers admitted that the OECD itself urgently needed to introduce reforms. They have called for a special meeting of OECD officials and diplomats to discuss the future of the group, which is due to have a new secretary-general, Mr Donald Johnston, next month.

Nevertheless, the meeting revealed sharp splits on the reforms the members think the OECD should take. Japan, which is likely to become the largest donor this year, is keen to see it playing a broadly based role in promoting sound economic policies. Other countries, such as Canada and the US, however, have called for a more activist role promoting global trade, and want rapid structural reforms at the group.

As the OECD gave a cautious response to Russia's surprise application for membership earlier this week, members remained divided about how quickly the group should expand. Although Austria is keen to see Russia accepted, countries such as Japan and the UK doubt whether Russia will meet OECD membership requirements rapidly.

Ministers admitted the OECD urgently needs reforms

A rearguard campaign by Britain blocked a US-led attempt at the meeting to win OECD support for a proposal that the WTO be asked to take up the issue of trade and labour standards, another issue which has proved highly controversial in the developing world.

Though the ministerial meeting was marked by strong criticism of aggressive unilateral US trade policy – notably legislation that would allow legal action against foreign companies with investments in Cuba – the differences were papered over in the final communiqué.

This committed OECD governments to avoid any trade and investment measures which conflicted with WTO rules. However, the US successfully resisted an attempt, backed by most members, to include a specific condemnation of unilateral trade measures.

Gadaffi takes a surreal view of world economy

James Whittington joins bewildered international delegates at a conference on Arab development

Dressed in a white suit and green silk shirt, Libya's flamboyant leader lectured his foreign guests on the state of the world economy and the simple pleasures of bedouin life.

"It's incredible to think that people are using milk in their bathrooms when others can't find enough to drink," Colonel Muammer Gadaffi said. "Why do factories put milk, eggs and lemon in products such as shampoo and then complain they can't sell them freely around the world... These are silly, trivial and devilish products."

For two and a half hours the Libyan leader gave a surreal and at times comic address to his increasingly restive guests from around the world assembled last weekend in Benghazi, the country's second largest city.

The visitors – including senior international officials – had come to attend a conference on changes to the world economy and their effect on Arab development.

They included the secretary-general of the Arab League, a former French foreign minister, officials from the International Monetary Fund, the central bank governor of Malta, the vice-governor of Romania's National Bank, and various representatives of other Arab, African and international multilateral organisations.

Col Gadaffi's outline of his unique world view capped a visit that for many delegates had already turned into something reminiscent of Alice in Wonderland.

Most delegates had travelled to Libya by road from Tunisia because of the four-year-old United Nations ban on flights to and from Libya. Having braved these travel difficulties, the delegates found the venue for their conference was switched from Tripoli, the capital, to Benghazi in the first of many surprises.

Getting to Benghazi involved an hour's flight that ended with a collective sigh of relief from passengers.

The UN ban on flights affects only international journeys: it makes no mention of domestic air routes and there is also a UN embargo on spare parts for Libyan aircraft. The potential consequences of that were brought home to those passengers who caught sight of two

Gadaffi: 'Why do we need so many different sizes of spectacles?'

Boeing 727s that had crashed a few years ago alongside the runway at Tripoli.

The limited UN sanctions were imposed in 1992 to try to force Libya to hand over two men accused of the 1988 bombing of PanAm flight 103 over Lockerbie in Scotland. Since then, Libya has become even more isolated from the rest of the world – and from the economic reforms embarked on by most of its neighbours.

Delegates to the conference had gathered with high hopes of discussing trade liberalisation, structural reform, and other policies to stimulate private sector-led economic growth in the Arab world. Perhaps, some thought optimistically, the Libyan authorities had begun to realise the need to open up more to the outside world.

But in a country governed for the past 27 years on the basis of Col Gadaffi's evolving theories of a socialist, Islamic, and Green Utopia, nothing is what it seems.

As he lectured his audience on the simple and virtuous structures of bedouin life, some delegates could be seen sinking lower into their seats.

"Can someone tell me: Why do we need so many different sizes of spectacles?" he said, looking at his tinted glasses as if for the first time.

"Why do we need so many colours in our pencils?" he went on, holding up a crayon. "And who can eat this?" he inquired picking up a large crystal ash tray.

In the same vein, he criticised what he saw as the developed world's obsession with the services sector of the economy. Only 9 per cent of the world's labour force, according to his figures, are employed in his favourite sector, agriculture. But more than 60 per cent work in services. "What good is it to anyone to have an army of models who are paid high incomes to advertise these silly products?" he asked.

"Why do we need so many photographers? These are not useful services like farming," he added, as the cameramen in the conference hall shuffled nervously.

After giving Mr Gadaffi a standing ovation for his thoughts, the conference seemed to lose its enthusiasm for discussing such issues as the effect of the World Trade Organisation on the Arab world and how Libya might benefit from the European Union's partnership policy with Mediterranean countries.

Instead, delegates appeared keener to board their aircraft for Tripoli and to return to the outside world via Tunisia.

"Sadly, the Libyans can only remain isolated while their leader has the power to make everyone listen to ideas such as these," one visitor remarked, as he prepared to put his fate once again in the hands of Libyan Arab Airlines.

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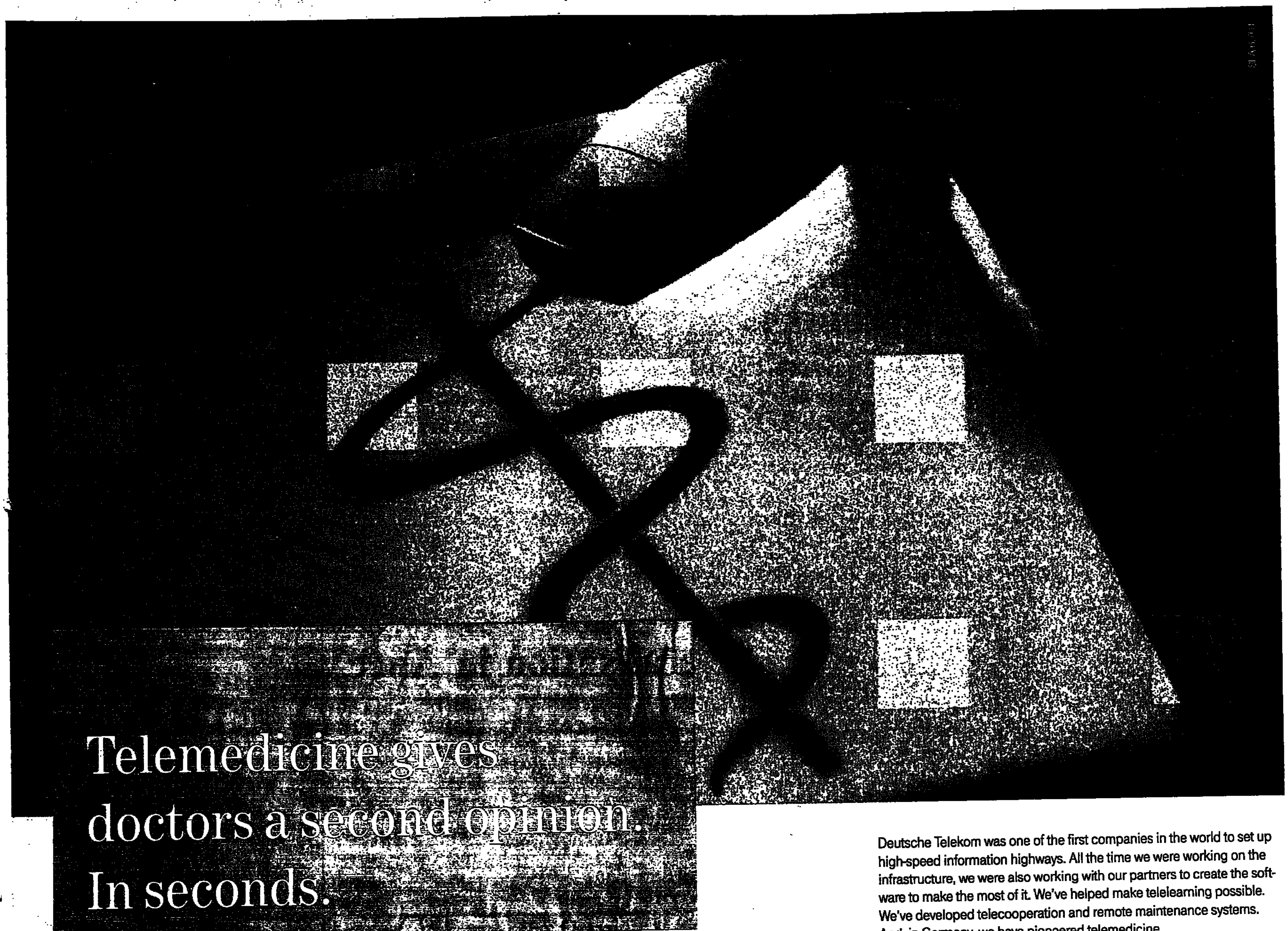

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Japan call to EU on chip tariffs

By Guy de Jonquières in Paris

Japan is insisting that the European Union commit itself to abolishing semiconductor tariffs by the year 2000 before Tokyo would be prepared to accept an EU proposal for a semiconductor industry agreement that would also include US producers.

A senior Japanese official said a formal EU pledge to scrap the tariffs was the minimum condition required by his government. Tokyo also wanted to be certain the proposed arrangement would not contain numerical targets for foreign semiconductor sales in Japan or lead to managed trade.

Sir Leon Brittan, EU trade commissioner, who has been pushing hard for a co-operative agreement between semiconductor producers in the US, Japan and Europe, has repeatedly said it should not contain import targets or encourage managed trade.

However, the Japanese official said discussions with executives of Philips of the Netherlands, Siemens of Germany and Thomson of France had not satisfied his government that Europe's three main semiconductor producers shared these objectives.

Until now, Japan has flatly refused to consider the EU proposal. It was not immediately clear whether its demand that the EU first agree to scrap tariffs reflected a softening of its position, or was a diversionary tactic designed to turn the tables on Sir Leon.

In an effort to put pressure on Tokyo, the EU trade commissioner threatened last month not to back a plan to liberalise global trade in information technology products unless Japan supported the semiconductor accord.

Sir Leon wants the accord to replace a five-year-old semiconductor agreement between the US and Japanese governments, which expires at the end of July. Washington says it wants the bilateral pact renewed, but its demand has been flatly rejected by Tokyo.

Washington attacks EU over computer tariffs

By Frances Williams in Geneva

The US yesterday criticised European Union customs treatment of certain computer and telecoms products at the World Trade Organisation, but stopped short of making a formal WTO complaint.

US and EU officials are to discuss the issue within the next two weeks, probably in Geneva, following complaints by American exporters that Britain and Ireland have pushed items into higher tariff categories.

The US told the WTO's council on goods yesterday that the action affected trade worth hundreds of millions of dollars a year and reduced the benefits of tariff cuts negotiated in the Uruguay Round of global trade talks.

Mr Booth Gardner, US ambassador to the WTO, said Ireland appeared to have reclassified computer networking equipment as telecoms devices bearing a 7.5 per cent duty rather than as computer equipment attracting a 3.5 per cent tariff.

Britain has reclassified PCTVs – personal computers that can be used as televisions in multimedia applications – as consumer electronic products with a tariff of 14 per cent.

EU officials denied yesterday that there was any policy intention to raise tariffs on these items, saying that the US and the EU both classified computer networking equipment as telecoms products.

Because of differences in interpretation by EU member states, the European Commission had issued clarifications in 1994 and 1995 which had resulted in Ireland changing its tariff treatment for products using Local Area Network equipment. Other member states were already applying the higher tariff, EU officials said.

The Commission has made no decision on the tariff classification of PCTVs, leaving it to member states.

However, in a recent case brought by Japan's Fujitsu, a British court ruled that PCTVs were televisions rather than computers, a ruling that now binds the British customs authorities.

EU officials are hoping the row can be settled within a few months, either within the framework of the World Customs Organisation which decides on customs classifications or in talks now under way between the leading traders on an information Technology Agreement which would eliminate duties on all electronics and information technology products.

Earlier this year, the European Commission defused a similar dispute with Japan over CD-Rom drives by dropping plans to reclassify them as consumer electronic products rather than computer peripherals.

German companies slip in motor parts profits league

By John Griffiths in London

Only one German company appears in the top 20 European motor components companies ranked by operating profitability. Only three appear in the top 40 and many are now either making wafer-thin profits or losing money, according to an Economist Intelligence Unit report.

The report concludes that, until the German sector's financial and cost structures are addressed, "the situation is bleak and further rationalisation of the German supply base would appear inevitable."

The EIU statistics show that of the top 10 performing companies, measured by operating profit, three are British, four North American, one French and one Italian. French, UK and US companies fill the bulk of the top 40 rankings.

For years, the report says, Germany's motor and motor components sectors have been the driving force behind European economic growth. However, the report suggests that other countries' suppliers have adjusted to changing demands more quickly than the German industry.

However, the pressures on the entire sector are highlighted by the report's findings that only 12 of the 100 companies surveyed made operating profits of more than 10 per cent of sales.

It also warns that too few European companies are positioning themselves to become the global players required by the car industry and forecasts that major US components groups such as TRW, Tenneco and AlliedSignal can be expected to thrust increasingly into Europe through acquisitions or joint ventures.

The report follows an EIU study of the $500bn-a-year world motor components industry which concludes that the viability of poorly-focused conglomerates in the sector is coming increasingly under threat.

The industry leaders of early next century will be those which have shed non-core businesses to concentrate on organic growth in the specialisations in which they are strongest.

The study also rejects the contention of Mr George Simpson, the outgoing Lucas Industries chief executive, and some other industry figures that the sector will be dominated by just 20 truly global "tier one" suppliers by 2010.

The world report predicts that by then there will be "at least 40" such suppliers operating globally, led by Delphi Automotive, General Motors' components subsidiary. Delphi is already by far the world's largest components group with turnover of $26bn last year – around double that of closest rivals Nippondenso of Japan and Robert Bosch of Germany.

The European Automotive Components Industry. The Economist Intelligence Unit, 15 Regent Street, London SW1Y 4LR. £595/$945.

Western Europe: unit growth of selected automotive components (m. units)

Product	1991	1995	2000	% Change 2000/1991
Airbags	n/a	11.0	32.0	190.9*
Air conditioning	n/a	3.2	6.9	115.6*
Automatic transmissions	1.3	1.2	1.6	24.2
Batteries	43.5	45.6	50.1	15.2
Disc brakes	39.3	38.8	38.7	-1.5
Drum brakes	13.1	12.9	12.8	-2.3
Clutches	29.4	30.0	29.1	-1.0
Exhaust systems	71.9	77.6	87.3	21.4
Oil filters	150.5	161.0	182.8	21.5
Air filters	48.0	49.8	56.3	17.3
Headlamps	29.2	29.2	29.2	0.0
Shock absorbers	68.6	65.4	68.2	-0.6
Sparking plugs	592.0	497.5	394.5	-33.4
Tyres	183.2	183.8	198.8	8.5
Wiper blades	134.7	144.2	160.5	19.2

*1995-2000 only

Source: EIU estimates and forecasts

US seeks earlier IT liberalisation in Apec

By Edward Luce in Cebu, Philippines

The US is pushing fellow members of the Asia Pacific Economic Co-operation forum to liberalise trade in information technology (IT) and other areas ahead of agreed group commitments to do so by 2010.

If accepted, the proposal – put forward yesterday in Cebu at a meeting of officials from Apec's 18 member countries – would be presented to the World Trade Organisation's first ministerial gathering in Singapore this December.

Under the US initiative, Apec's developed member countries would pledge fully to liberalise trade in information technology, wood products, non-ferrous metals, oil seeds and white distilled alcohol. Apec's developing member countries would pledge to liberalise trade in these products before their separate deadline of 2020.

"We want to develop an Apec consensus on this which we could then, as a group, submit to the European Union before the WTO meeting in December," said a senior US trade official. "We have been given negotiating authority [by Congress] to pursue this with our Apec counterparts. We think that our partners including Japan will respond positively to the plan."

The move would give a fillip to liberalisation in Apec following last year's "action agenda" agreed in Osaka. The proposal is expected to be discussed in Cebu today and at the next preparatory meeting of senior Apec officials, to be held in August. Officials yesterday expressed surprise that all 18 members – including Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, South Korea, Taiwan, Thailand and the US – had submitted individual action plans on the first day of talks in Cebu.

The action plans, detailing members' pledges to meet commitments on cutting tariffs in 15 areas starting in January 1997, will be integrated into a single package before the November meeting.

"I would say that the process has moved forward," said Mr Antonio Basilio, deputy chairman of the Cebu meeting, yesterday. "We're happy to report that all 18 economies submitted their individual action plans and the initial reading is that the substance was credible. We got more than we expected."

The Philippines, which is chairing Apec this year, is also promoting a plan among its six south-east Asian partners to extend Asean (Association of South-east Asian Nations) tariff reductions to the whole of Apec on a unilateral basis. Members of Asean, which have agreed to reduce tariffs to a common rate of 5 per cent by 2003, have not yet formally responded to the Manila initiative.

Progress, however, was made yesterday on formulating a "road map" for the liberalisation of intellectual property rights and harmonising customs standards in Apec.

WORLD TRADE NEWS DIGEST

Mitsubishi looks at China tie-up

Mitsubishi is considering making car engines in China in co-operation with state-run defence contractor China Aerospace Corporation which is trying to shift to civilian production. The Japanese motor company's announcement coincided with confirmation by Toyota, Japan's largest carmaker, that it has tied up with China's Tianjin Automobile Industrial to form an equally-owned joint venture to manufacture engines, some of which will be exported.

The venture, which gives Toyota an important entry into the Chinese vehicle market, will produce 150,000 units of a newly developed 1.3 litre engine. Production will begin in early 1998 when the engines will be installed in small cars manufactured by Tianjin Automobile with technical assistance from Daihatsu, a Toyota affiliated company.

The company has also established a separate joint venture with Tianjin Automobile to machine and assemble constant velocity universal joints. *Michiyo Nakamoto, Tokyo*

Bovis wins Shanghai contract

One of the biggest construction management contracts to be let in China, for a $380m office, retail and residential development in Shanghai, has been awarded to Bovis, part of P&O, the UK engineering, property and shipping group.

The project, in the Bund district of Shanghai, will provide a 50-storey office tower, two 22-storey residential towers and shops. It will occupy almost two hectares and form an important part of the redevelopment of the old financial district. The contract's signing, awarded by Sinar Mas of Indonesia, was witnessed by Mr Michael Heseltine, deputy UK prime minister, in Shanghai. It is the latest in a series of Chinese developments won by Bovis. Last month a joint venture between Bovis and Thames Water of the UK was awarded a concession to build and operate, over 20 years, the $73m Da Chang water treatment project. Last year a separate Bovis joint venture won a $22m contract to build and manage Shanghai's Intex Exhibition Centre. *Andrew Taylor, London*

● Bombardier, the Canadian transport equipment group, has sold four Regional Jets worth $80m to Pampas Air of Argentina. The deal is a breakthrough for the 50-passenger jet in Latin America. So far, Bombardier has delivered 113 Regional Jets to Canadian and international airlines.

Bombardier also announced the sale of two 37-passenger Dash8-200 turboprops worth $25m to Abu Dhabi Aviation. The aircraft, which are designed for hot climates, will serve the Gulf offshore oil industry. *Robert Gibbens, Montreal*

NZ presses 'hands off' bank reform

By Terry Hall in Wellington and agencies

New Zealand's ground-breaking "hands off" banking supervision regime took another step forward yesterday when the country's central bank issued pamphlets to help clients judge the financial strength of their own banks.

The new system of supervision involves almost complete deregulation of the banking sector, by moving from intensive monitoring by the Reserve Bank to public disclosure of the banks' financial position and allowing customers to make up their own minds.

Mr Don Brash, Reserve Bank governor, said the new regime imposed strict requirements on directors to sign statements on the bank's affairs on a regular basis. If they signed without asking the "appropriate questions", they would put themselves at considerable personal risk and could face penalties under New Zealand law.

The Reserve Bank will continue to register banks and set capital adequacy ratios, and can intervene in a crisis, but the main control will now be through quarterly public statements banks must supply to all branches. It can also initiate proceedings against banks for any statement thought to be false or misleading.

Mr Brash said the full disclosure statements the Reserve Bank requires would be cumbersome and full of financial details too complex for ordinary bank customers. A simplified version of the statements would be available at all bank branches when the first reports are issued later this month.

The pamphlets released yesterday are designed to help ordinary customers understand the simplified statement, including its balance sheet, and to assess its credit and risk management so they can decide to place deposits with it.

The pamphlets are to be made available in all bank branches.

Mr Brash said that, unlike many other countries, the new supervisory regime does not seek to protect depositors or promise any compensation for losses in the event of failure.

The main objective was to increase incentives for the banks to monitor and manage their risks prudently. It would ensure bank directors take ultimate responsibility for managing risk, and provide depositors and others with more timely information to improve their ability to decide where to invest.

Mr Brash said the new procedures had attracted considerable international interest from other central banks. But he doubted the new system would have prevented the failure of New Zealand's leading bank, the then state-owned Bank of New Zealand, in 1990, or protect banks from Barings-type collapses through fraud.

"There is not a lot of evidence that the previous regime was actually proving totally effective in the countries where it was being used. You looked around the world and saw quite a number of situations where banks failed, or were at least in difficulties, despite that intensive supervision," he said.

"We are quite convinced the new approach will usefully strengthen the incentives which directors have to operate their banks prudently, and so will reduce risk in the banking system."

Mr Brash said the fact most New Zealand banks were overseas-owned had not been a factor in deciding to implement the new requirements. "When we were drafting the proposals in 1991, most of the banks were New Zealand-owned." But because so many were now overseas-owned, "[it] means that we can't be indifferent to the health of the parent bank."

Malaysian dream steel project is a flop

By James Kynge in Kuala Lumpur

It was the steel company which seemed to have everything: a protected and booming home market, access to vast pools of funding; and the prestige of being the prime minister's brainchild. But this week it all went wrong.

Perwaja Terengganu, once lauded as a trailblazer in Malaysia's long-term industrial strategy, was confirmed as insolvent, making it one of the biggest flops in the country's broad economic transformation.

As the government considers rescue plans for the state-owned company, private-sector economists say that Perwaja's misfortune is a freak occurrence, though one that provides an insight into some of the dynamics of Malaysia's managed economy. "Perwaja's case is by no means typical," said one local economist. "But it does provide a cautionary tale of what can happen to grandiose plans if mechanisms of supervision falter."

The case has also rekindled debate about rivalries in the Malaysian leadership. Perwaja was commonly seen as a pet project of Dr Mahathir Mohamad, the prime minister, and while his deputy, Mr Anwar Ibrahim, was responsible as finance minister to explain its collapse, his public criticism of the company's management was bound to generate political speculation, broker house analysts said.

Mr Anwar told parliament on Tuesday that Perwaja had debts of M$6.92bn ($2.78bn) while its accumulated losses of M$2.95bn amount to almost double the company's paid-up capital. In addition, an investigation has uncovered several cases of mismanagement and government official are examining "financial irregularities" at the company.

Perwaja was set up in 1985. Within three years problems had set in.

The steelmaker had borrowed in yen, opening itself to exchange losses as the Japanese currency began its giddy appreciation in the second half of the 1980s.

And although labour was relatively cheap and the domestic market protected by steel import tariffs, Perwaja's debt had already reached about M$1bn when, in 1988, Dr Mahathir selected an industrialist, Mr Eric Chia, to revive the company's fortunes.

But, as Mr Anwar's statement this week has revealed, Mr Chia's tenure turned a bad situation worse.

Under his stewardship, Perwaja borrowed again, this time to finance a M$1.2bn beam and section mill in Dr Mahathir's home state of Kedah, 320km from the company's main plant on the eastern seaboard state of Terengganu. Though the move to Kedah brought much needed industry to a relatively disadvantaged area, it also drove operating costs sky high.

"The group will continue to face gross operating losses even if financial costs and foreign exchange losses are not taken into account," Mr Anwar told parliament, quoting from an independent audit by Price Waterhouse, the UK accountants. Some 78 per cent of the company's accumulated losses came from debt service charges and foreign exchange losses.

Perhaps the most disturbing aspect of Perwaja's fall was that many decisions were taken without the knowledge of the company's board of directors, mostly government appointees. Such was the lack of transparency that as Perwaja sank deeper into debt in 1994, Mr Chia was still being publicly praised for his restructuring efforts.

"Contracts were awarded and completed before getting approval or verification from the board," Mr Anwar said.

The absence of transparency in government action is widely acknowledged. Mr Daim Zainuddin, senior adviser to the prime minister and a former finance minister, said before this week's disclosures: "The government wants transparency but it will take a bit of time before things come to the notice of the cabinet." He said this was because government was made up of "various groups, various vested interests".

Some private economists say the Perwaja debacle should serve as a cautionary tale for other mega-projects, such as the Bakun hydro-electric dam, Asia's biggest, in the jungles of east Malaysian Sarawak. Dr Mahathir, an ardent promoter of the project, says the dam will help act as catalyst to industrial growth, in much the same way as he described the Perwaja project a decade ago.

Canberra oils the wheels of labour reform

PM's plans for the jobs market and wage system are stirring emotions, writes Nikki Tait

A few days ago, the centre of Sydney reverberated to the sound of drums and protest chants. Several thousand trade unionists held a rally outside the prime minister's office – angry at impending industrial relations reforms and, in particular, changes on the waterfront.

Bystanders seemed unimpressed. One young office worker wondered what the fuss was about. Next to her, an older businessman muttered bitterly about union intransigence.

The street emotions – anger, relief and indifference – are expected to surface again when Australia's new conservative federal government details its labour market reform legislation later today.

There is no doubt the legislation is seen by the Liberal-National coalition as one of the main planks in its effort to lift Australia's economic performance. Mr John Howard, the new prime minister, has a long record of advocating labour market changes.

"Until our arthritic industrial relations system is reformed, our waterfront brought into the 20th century, the coastal shipping cartel removed and our transport infrastructure modernised, we cannot hope to be permanently competitive," he has said.

But the coalition's task is not without obstacles. The first problem is that former Labor governments also recognised the need for Australia to move away from its traditionally rigid, centralised wage-setting system if the country was to compete internationally.

As a result, over the past eight years, various pieces of federal legislation have been passed to encourage decentralised "enterprise agreements" – in the hope that these would reward and reinforce local productivity improvements.

In its efforts to win the blue-collar "battler vote" during the recent election campaign, the conservative coalition packaged its reform proposals to look as inoffensive as possible.

Rather than scrap the existing wage-setting structures, it called for a redefinition of the role of labour market institutions and for superimposing a slightly different system of decentralised wage agreements.

The broad outline of today's package is no secret. Basically, it centres on a new type of contract called an "Australian workplace agreement" (AWA), which management and employees could negotiate at company level. Employees could organise themselves as they wished – opting to be represented by a lawyer, a union, some form of professional grouping, or just act individually. There would be no obligation to move to an AWA; employees could stick with a centrally determined award if they preferred.

AWAs, however, would not be subject any scrutiny by the Australian Industrial Relations Commission. The AIRC's role would be restricted to setting basic award rates and some minimum standards which the AWAs would have to meet.

Any employee who felt hard done by under the new system could talk to an "employment advocate" and seek redress through the courts.

In recent days, leaks have also suggested that the legislation would largely remove any restrictions and conditions on part-time employment.

Already, concerns have been raised on all sides. The businesses community frets that all this may be too complex. One worry is possible proliferation of bargaining units and contract arrangements in a single workplace – which would be costly and cumbersome for an employer to manage.

Unions fear that the weakening of the AIRC's power, notably its ability to vet contracts, could make lower-paid employees vulnerable to unscrupulous employers. The move to more streamlined awards, incorporating only minimum conditions, could also mean the erosion of benefits such as paid maternity leave.

The unions' problem is a relatively weak bargaining hand.

Threats of all-out industrial warfare during the election campaign appeared to do its cause more harm than good.

While "downsizing" by the corporate sector is perhaps less marked than in some countries, the limited size of the jobs pool – the Australian workforce numbers 8.3m – and an unemployment rate of almost 9 per cent have not encouraged all-out battles on points of principle.

For example, CRA, the mining company, met only limited resistance when it offered workers higher wage packets if they would abandon their collective bargaining rights.

That said, the union movement can be expected to put up a fight. There has already been talk of High Court challenges, and attempt by employers to undercut workers' conditions will face a high-profile and vocal campaign that could be an important test of strength for both sides.

Solicitor to stand for HK chief executive post

By John Ridding in Hong Kong

Mr Lo Tak-shing, a solicitor and a former member of the Hong Kong administration, yesterday declared his interest in the post of chief executive, sparking life into the contest for the top position in the territory after it is handed back to China next year.

One of several possible candidates, Mr Lo became the first to state his interest. Others, such as Mr Tung Chee-hwa, the shipping tycoon, and Mrs Anson Chan, the head of the territory's civil service, have remained guarded about their stance towards the job.

In an interview in yesterday's Ming Pao, the Hong Kong daily, Mr Lo said he would make a final decision on his candidacy following the formation of a selection committee. This body will nominate a chief executive designate who would have to be appointed by Beijing. The process is expected to be completed towards the end of the year.

Mr Lo, 61, has moved close to Beijing since breaking with Britain in the mid-1980s. He claimed Britain should have granted passports to Hong Kong citizens.

Political commentators said it was difficult to determine Mr Lo's prospects for the post, noting that Mr C.H.Tung had been tipped by many as the strongest candidate.

Mrs Chan is the most popular choice within Hong Kong, winning support from the business community, which is seeking continuity and an effective civil service.

Another candidate, is Mr C.Y.Leung, a businessman who is closely linked to Beijing.

Several Hong Kong newspapers have recently reported that Mr Tung has told China he is not interested in the post of chief executive.

"This might well be disinformation to support the chances of another candidate," said one diplomat.

Should he not seek the post, there would be potentially important implications for other senior officials. Many in official and business circles, believing that Mrs Chan's chances of the top job are compromised by her position in the present administration, favour a tandem solution, in which she would serve as chief secretary. The chances of this are seen as greatest if Mr Tung is the chief executive.

Mr Lo said he hoped an ideal candidate would emerge, in which case he would give up his plan. Denying that he had been actively lobbying support for himself, Mr Lo also rejected reports that he let Chinese leaders win games of mahjong.

ASIA-PACIFIC NEWS DIGEST

US urged not to 'contain' China

The US would be wrong to swap its policy of military engagement with China for one of containment, according to Mr William Perry, the US secretary of defence. A policy of containment, as the US applied to the Soviet Union during the cold war, was "flawed in the practical sense", he said in a speech in Washington yesterday to the Pacific Basin economic conference which covered all aspects of Asian security.

It would, he said, "push China to accelerate its defence modernisation, contributing to regional arms races and increasing the likelihood of military conflict in the region."

Additionally, containment would "lead the US and China to close their markets to each other" and "provoke reflexive and intractable Chinese opposition to US-led security initiatives in the UN and other multilateral bodies."

Mr Perry's speech on US relations with China was the third by a senior administration official in the last six days, following those delivered last Friday by Mr Warren Christopher, the secretary of state, and on Monday by President Bill Clinton himself. *Jurek Martin, Washington*

Seoul eases foreign controls

South Korea yesterday announced it would remove most controls on the entry of foreign firms into the domestic securities markets by 1998. The measures were sought by the Organisation for Economic Co-operation and Development, which Korea hopes to join by the end of the year.

Foreign financial institutions will be allowed to acquire Korean securities houses, investment trust companies and investment advisory firms in friendly takeovers from December 1998. This will follow a rise in the current foreign shareholding ceiling in these Korean financial companies from 10 per cent to 49 per cent next January. The government has also eased procedures for the establishment of foreign brokerage houses in Korea. Representative offices may be opened without formal approval after they are registered. *John Burton, Seoul*

Indian vote moved forward

India's new parliament will vote on Monday to decide whether the country's week-old Bharatiya Janata party government will survive or fall, Mrs Sushma Swaraj, BJP minister, said yesterday. India's president had given the BJP until May 31 to prove its majority in the house, but Mrs Swaraj said the cabinet had decided to move the date forward. The United Front, the coalition of 17 regional, secular and "social justice" parties, has meanwhile tabled a vote of no confidence in the BJP government.

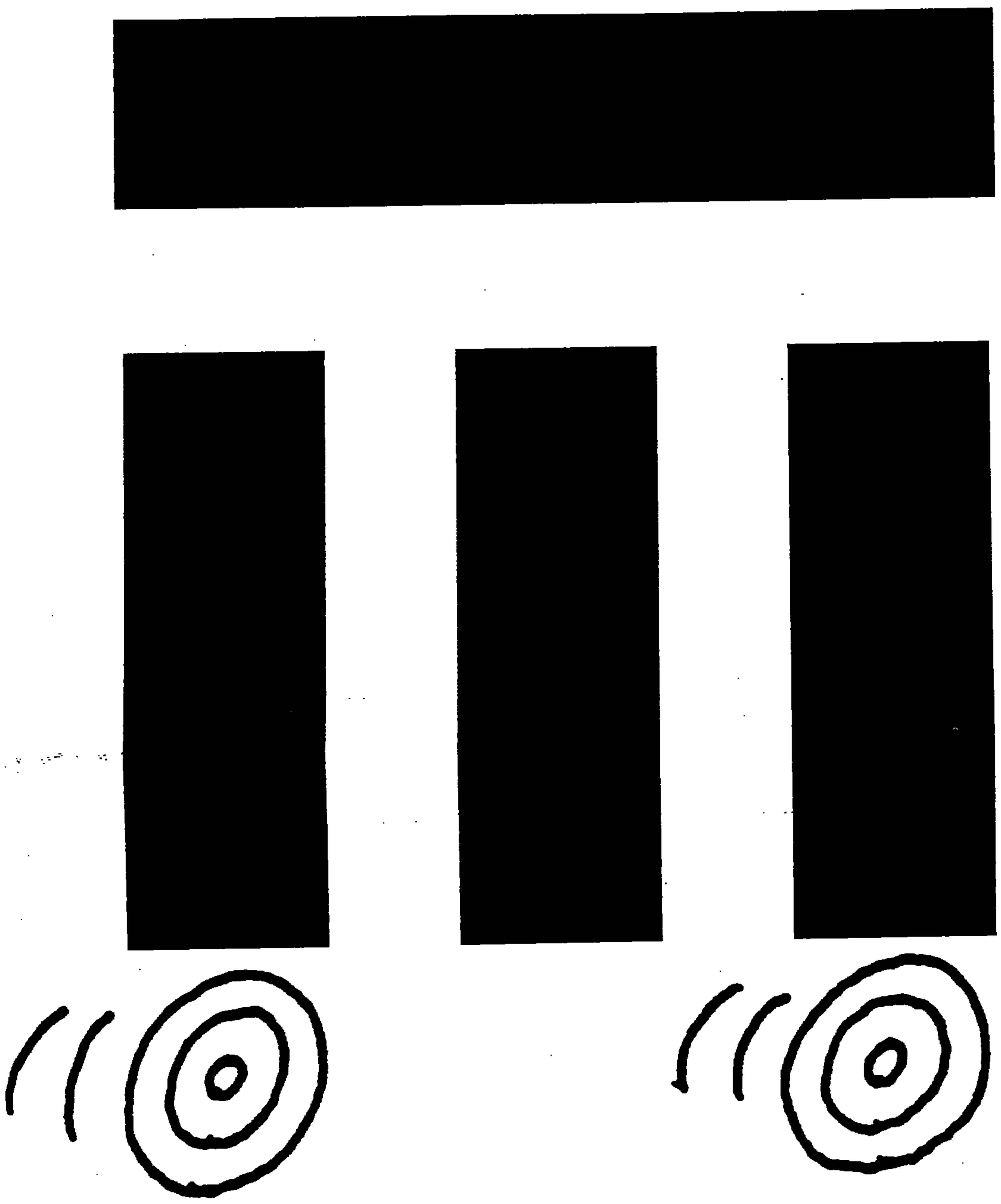
Barring unexpected last minute defections from other parties or widespread abstentions, the BJP looks set to lose the vote. The party and its allies command 194 seats in the 545-seat parliament, while the United Front claims the direct support of at least 170 MPs and is counting on both Congress and India's communist parties, which together have 181 MPs, to vote against the BJP. Mr Shankar Dayal Sharma, India's president, will nevertheless give the BJP's programme for government in an address to both houses of the Indian parliament tomorrow. *Mark Nicholson, New Delhi*

Burma detentions continue

Burma's military government continued to detain opposition leaders yesterday, bringing to more than 80 the number of those arrested ahead of a planned weekend congress of the opposition National League for Democracy. The wave of arrests, originally confined to provincial areas, was extended to the capital of Rangoon where 36 people, including Mr Win Htein, personal secretary to NLD leader Ms Aung San Suu Kyi, were detained.

Most of those arrested were elected to parliament in 1990 elections won by the NLD but disavowed by the military. On Sunday they plan to attend the most important NLD gathering since Ms Suu Kyi was released last year after spending nearly six years under house arrest. *Ted Bardacke, Bangkok*

So who insures the insurers?



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Swiss Re

Lloyd's Names in US allege 'dirty tricks'

By Ralph Atkins in London and Richard Waters in New York

Lloyd's of London faced fresh US headaches yesterday as accusations of "dirty tricks" flew over letters falsely cancelling meetings where US Names were to be given details of the insurance market's recovery plan.

The letters purported to be sent by the Association of Lloyd's Members, a body which supports the recovery plan. Ms Melinda Nordhaus, who planned the ALM meetings, expressed outrage at "this clear attempt to sabotage these important meetings" which would go ahead as planned. The source of the letters remained unclear yesterday.

The accusations came as Lloyd's leaders stepped up efforts to win the support of US Names for the plan, which has to be implemented this summer or Lloyd's future will be in doubt. Names are individuals whose assets have traditionally supported Lloyd's.

Mr John Stace, deputy chairman, was due to address a Names' meeting in Los Angeles yesterday and today in San Francisco.

Separately, the US Postal Service, whose remit includes investigating allegations of mail fraud, said that it had started an inquiry into Lloyd's. The agency is believed to be studying whether Lloyd's agents breached federal laws when recruiting US Names.

The investigation follows action from state-level securities regulators, which have accused the London insurance market of breaching local securities laws.

The Postal Service said its inquiry was undertaken at the request of the US attorney in New York, whose office had passed on complaints from individual Names. Lloyd's refused to comment on the review, except to say that it was aware that the agency had sent a questionnaire to some US names seeking information about how they were recruited.

However, Lloyd's of London has won an early endorsement in the UK for its recovery plan from a Names group which has agreed to adjourn legal action for compensation.

The Secretan Names' Association said an agreement had been reached with Lloyd's – under the auspices of the insurance market's recovery plan – which was likely to be recommended to its 1,100 members.

Secretan Names lost as a result of US asbestos and pollution-related insurance claims during the 1980s. Those being sued included the auditing firm Ernst & Young. Details of the deal have not been disclosed but Mr John McBride, chairman of the Names' association, said: "Why expose the Names to the hazards of litigation when the offer gives us all our costs and an appropriate proportion of the claim?"

However, Mr McBride emphasised that, while the offer to Secretan Names may be acceptable, it did not mean members of the association would necessarily back Lloyd's recovery plan, which includes an out-of-court settlement offer totalling £3.1bn ($4.7bn). Names are often members of more than one action group.

UK NEWS DIGEST

Big insurance payout cleared

A ruling yesterday by the House of Lords, the upper House of Parliament, paved the way for the payment of an estimated £3bn ($4.6bn) in insurance claims frozen pending resolution of a dispute which could have hit many insurers' finances. The Lords upheld an earlier court ruling which said insurance companies could collect on their reinsurance policies – taken out to protect against big losses – before paying the claims of their own policyholders.

The issue was important because, if earlier judgments had been reversed, insolvent insurers and reinsurers could have faced substantial difficulties collecting on reinsurance policies. It would have affected the solvency of insurance companies which rely heavily on reinsurance. Mr Philip Singer, insurance insolvency expert at Coopers & Lybrand, the accountants, said yesterday's ruling prevented reinsurance companies receiving an "undeserved windfall". Most reinsurers are likely to have set reserves on the assumption that previous rulings would not be overturned and Mr Singer said it would have been the "height of carelessness" to have assumed otherwise.

But the Lords' interpretation of widely used clauses in "excess of loss" reinsurance contracts will end uncertainty over the issue. The expected flood of claims might cause cashflow headaches for some companies. The net impact on Lloyd's of London, which is both a reinsurer and creditor of failed insurance and reinsurance companies, is likely to be negligible. The Lords ruling was on a test case concerning Charter Re, which underwrote reinsurance policies in the London insurance market between 1986 and 1993.

Ralph Atkins, Insurance Correspondent

BZW reassesses nuclear sale

BZW, the government's advisers on the privatisation of British Energy, believes the nuclear utility could be sold for between £2.25bn ($3.42bn) and £2.5bn. This is slightly less than the £2.4bn to £2.8bn which BZW indicated earlier this year, but the method of calculation is different. Mr Daniel Martin, BZW's utility analyst, says in an updated report that the higher figure was justified by British Energy's strong cashflow projections. But he believes the market will require a yield premium on the stock because of its unfamiliarity with nuclear power, and this would depress the sale price.

Yesterday's report calculates that British Energy's "correct" yield is between 6 per cent and 7.4 per cent, but it estimates that the market will demand 7 per cent to 8 per cent. Other analysts have suggested that British Energy's sale price could be cut sharply because of fears of a fall in the electricity price. But BZW's report plays down these risks. BZW estimates that a fall in the price from its current level of 2.4p to 2p would reduce the sale price by £750m.

David Lascelles, Resources Editor

Party's finances recover

The governing Conservative party's finances are back in the black after more than a decade in which the organisation has maintained a large overdraft. Fund raisers have managed to turn the £19m ($28.9m) deficit which the party had after the 1992 general election into a small, but positive, bank balance several months ahead of schedule.

Senior party figures are firmly resisting calls from the opposition Labour and Liberal Democrat parties for the Conservatives to list their main benefactors. But the speed at which the party has managed to clear its overdraft will again raise questions at Westminster about the party's finances. Earlier this week Mr Brian Mawhinney, party chairman, launched an investigation into allegations that businessmen of Yugoslav origin had given the party more than £100,000 between 1992 and 1994 when British troops were deployed in peacekeeping duties in the region.

William Lewis and James Blitz

Rolls-Royce investment

Rolls-Royce, the UK aero-engine maker, is to invest £23m ($34.9m) at its Hillington plant near Glasgow in Scotland. The investment will be made over four years in installing the latest machinery for manufacturing compressor blades and seals for Rolls-Royce gas turbine engines. The Hillington plant will be able to produce compressor blades for advanced engines such as the Trent 895, the BMW Rolls-Royce BR715 and the Allison AE3007. The Rolls-Royce aero-engine company is no longer connected to the Rolls-Royce car company, which is now an offshoot of Vickers.

James Buxton, Edinburgh

Ministers meet on Ireland

The British and Irish governments met last night in an attempt to settle on a formula for next month's all-party talks on Northern Ireland, with differences apparently continuing over a role for former US Senator George Mitchell, who headed the international commission on the Irish peace process.

Delegations headed by Sir Patrick Mayhew, Northern Ireland secretary in the British government, and Mr Dick Spring, the Irish deputy prime minister, spent more than four

British cabinet minister Sir Patrick Mayhew (left) and Irish deputy premier Dick Spring in London yesterday

hours in London on the agenda for next month's negotiations. Both sides were also discussing prospects for an Irish Republican Army ceasefire amid confusing signals from Sinn Féin, the IRA's political wing. Ministers are understood to have prepared several contingency plans in the event of the talks beginning without Sinn Féin participation, which is conditional on an unequivocal declaration of an end to IRA violence.

John Kampfner, Westminster

Britain in Europe Germany's 'responsibility and respect for liberal values' praised in House of Lords

Ministers accused of strong-arm tactics

By Neil Buckley in Strasbourg

Sharp criticism of the British government's stance on the "mad cow" crisis dominated proceedings at the European Parliament in Strasbourg yesterday, with even British members joining the attack.

With 600 MEPs from all member states gathered in Strasbourg for a full session this week, a debate on farming prices saw speaker after speaker criticise both Mr John Major's threat to disrupt EU business and his government's handling of the crisis. Leaders of the main parliamentary groups joined in condemning Britain's actions.

Mr Gijs de Vries, Dutch leader of the liberal group, the fourth-largest in parliament, said Mr Major's declaration was an "act of desperation".

"Having failed to convince a number of countries on the basis of reasoned argument that the British government has taken effective action in alleviating the threat of BSE, the UK is now resorting to strong-arm tactics. This is a sign of weakness and will be recognised as such," he said.

The Sun, the biggest selling daily newspaper in Britain, yesterday returned to the Second World War for an image with which to express its opposition to the EU ban on British beef

"We are not fighting the 1940 air battle between the UK and Germany again. These atavistic appeals to national loyalty should be avoided."

Mr Graham Watson, a British member of the centrist Liberal Democrat party, said the attempt to "railroad" other European countries into lifting the ban was doomed to failure, and would do nothing to restore public confidence in beef. "You can put British beef under a Frenchman's nose but you can't make him eat it," he added.

Mrs Pauline Green, British leader of the dominant socialist group, said the UK government's action was "absolutely absurd" and a "politically motivated political crisis. I am saddened as it will cause great damage to Britain."

British conservative MEPs were careful not to criticise their Westminster counterparts, but said it was their role to "explain the government's position to our colleagues across Europe". They have been pressing – so far unsuccessfully – for Mr Douglas Hogg, the British agriculture minister, to visit the Parliament to explain Britain's stance.

Mr Willi Görlach, president of the German socialist group, said Mr Major's move was "very dangerous for Europolitics". He warned that an "empty seat" policy would not have the effect it had in the era of President de Gaulle.

Germany might have expected a roasting in Westminster in the week that it has been painted as the chief villain of the European Union's reluctance to start dismantling its curbs on British beef. However, a series of elder statesmen in the unelected upper House of the British Parliament took considerable pains to praise what Lord Jenkins of Hillhead called "consistently the best governed country in the western world".

Lord Jenkins, a former Labour party minister and one-time president of the European Commission, said: "The post-war German government is not a particularly difficult government with which to get on - it has a unique record of international responsibility, economic success and respect for liberal values and the supremacy of the rule of law."

Lord Campbell of Croy, a former Tory cabinet minister, concluded his outline of a Europe of nation states with the firm reminder that "good British-German relations must depend on positive efforts on both sides".

State aid for Irish Steel to be challenged

By Stefan Wagstyl, Industrial Editor

British Steel, the UK steelmaker, is to sue the European Commission over its decision late last year to approve state subsidies for Irish Steel, Ireland's only steel company.

British Steel's move comes at a difficult time in UK-EU relations, with tempers running high over the row about the "mad cow" crisis.

The commission approved the Irish government's plans to inject I£38m ($57.2m) into state-owned Irish Steel only after the UK government dropped its opposition for fear of upsetting the Northern Ireland peace process. But while the UK government relented, British Steel did not and last December it started assembling a legal case against Brussels.

Yesterday, the company said it was planning to file a complaint, possibly in the next few days, at the European Court of Justice. British Steel wants the aid be declared illegal and repaid to the Irish government. Hoogovens, the Dutch steelmaker, and the German Steel Federation are expected to file similar claims.

The Irish Ministry of Enterprise and Employment said last night that it was satisfied that the grounds on which the aid had been granted were sound and would stand up in court. "I am absolutely confident," said a senior official. A European commission official said companies were welcome to exercise their right to challenge decisions in the courts.

The legal action, which could take between two and three years to complete, will not stop the aid being paid. The Irish government is due to sign a contract in the next few days with Ispat International, the London-based international steel company, which is buying Irish Steel and will use the aid to modernise the plant and increase output from its 1994-95 level of 258,000 tonnes to 320,000 tonnes.

British Steel is engaged in a long-standing battle with the Commission over state aid for Europe's ageing and inefficient steel plants. Although member states agreed to end most forms of subsidy as long ago as 1985, payments have continued, notably Ecu7bn ($8.68bn) approved in 1993, mainly for Ilva of Italy and Spain's CSI. British Steel has appealed against these grants and a decision is expected later this year.

British Steel is especially incensed by the Irish case because it involves an increase in output, whereas the previous grants were made on condition of production cuts. Under EU rules, subsidies are permitted only for research, for anti-pollution measures and for easing the impact of redundancies.

The Commission accepts that the Irish decision was exceptional. But it argues that strict output and sales limits on Irish Steel will limit the impact on other producers.

Brussels plays down PM's threat to disrupt business

By Caroline Southey in Brussels

Brussels reacted calmly yesterday to the threat from Mr John Major, the British prime minister, that the UK government would disrupt European business because of the EU's failure to ease a ban on British beef products, pledging to continue working for a resolution to the crisis caused by BSE.

The EU Commission agreed a proposal under which Britain would be forced to impose tough conditions on the manufacture of gelatine and tallow as a precondition to the ban being lifted on these products. Semen would be included in the package.

The proposal, which sets down the same conditions laid down in a plan rejected by the EU's standing veterinary committee on Monday, will be put to EU farm ministers at an emergency meeting on June 3.

In a further sign that the Commission wished to minimise the potential damage of Mr Major's threat, EU officials reported that Mr Major had telephoned Mr Jacques Santer, president of the EU Commission, yesterday in a "good and constructive atmosphere".

Mr Santer pressed Mr Major to "do a tour of European capitals to try and convince Britain's EU partners that you are are on the right track to restoring consumer confidence in beef," the EU official said, adding that "member states do not believe Britain is doing enough for them to face their consumers and say the products are safe".

The official said Mr Major had conceded that the Commission had supported efforts to have the ban on the three products lifted. "He said the problem was in the veterinary committee, not the Commission."

Mr Franz Fischler, EU Commissioner for agriculture, said that once the measures outlined in the proposal were put in place "the Commission would no longer consider it necessary to maintain the export ban on these products as well as semen".

He called for a "scientific rather than a political approach" to the problem. Implicitly criticising Mr Major, he said: "Any attempt to politicise the export ban as has been happening in recent times does not serve in any way either to allay consumer's fears or to expedite the easing of the ban."

Under EU rules governing parts of agriculture policy, three possible scenarios flow from the Commission's decision yesterday. The first is that the proposal is approved by the farm ministers. The second is that if a qualified majority cannot be found in the council to support the proposal, responsibility for implementing the ban falls to Mr Fischler. A third possibility is that at least eight countries vote against the proposal, at which point the plan dies.

But EU officials remained adamant that the Commission would "work through the procedures" to try and find a solution. Mr Fischler said he felt it was "important for the next council of ministers meeting to take the necessary decision based on scientific knowledge".

London tells its diplomats to use the tactic of delay

By Bruce Clark in Brussels

Britain served notice that "co-operation will be impaired" across a range of European Union activities – but kept its European Union partners guessing yesterday over how far it would go.

In a carefully calibrated position, British representatives in Brussels told their counterparts that they themselves would still participate actively in meetings of EU diplomats – but nothing they said would bind the hand of UK ministers.

This will slow down EU business in areas ranging from the internal market to scientific research, as well as the longer-term discussions on the EU's future. Normally the work of EU ministerial meetings, where all important decisions are taken, is greatly speeded because decisions are "pre-cooked" by diplomats and then passed on the nod.

But the effects of the new delaying tactic were already felt yesterday morning when British diplomats said they were reserving their position on a Customs regulation and a research programme into nuclear energy.

Diplomats from other EU countries said it was fortunate no big decisions requiring unanimity were pending – and they doubted whether Britain could maintain its stand without damaging its own ability to speak on issues close to its heart.

However Britain was apparently participating as vigorously as ever at a diplomats' meeting last night where some sensitive issues in transatlantic relations were under discussion. The diplomats were considering whether or not a document on the state of EU-US economic relations, which must be agreed by Washington and Brussels, should mention the bitter dispute caused by proposed US sanctions on companies dealing with Cuba.

Britain has argued – and it will apparently continue to argue – that it would be better not to mention the dispute at all than agree a formula that has been watered down at Washington's insistence.

At a ministerial meeting today on measures to protect the EU population in the event of disasters or emergencies, London will harden its already trenchant objections to the involvement of the European Commission in this area. This meeting would in normal times have passed by virtually unnoticed. Today, however, Britain will make a point by bowing out from any effort to finesse the differences between itself and most other EU countries.

A separate meeting of senior diplomats today is expected to consider whether the Commission should be given greater powers to combat fraud. This will put Britain in an awkward position because it has been among the strongest advocates of greater efforts to crack down on fraud.

The UK has also served notice within the inter-governmental conference on EU reform that it will not sign up to any new documents mapping out the Union's future. It has also made clear that that it would bar unconditionally any effort by the European Parliament to become more involved in the IGC.

However, diplomats from other EU countries were sceptical about whether the British stance would make any difference to the IGC.

Industry chief deplores talk about quitting EU

By Stefan Wagstyl, Industrial Editor

Sir Colin Marshall, who took over yesterday as president of the Confederation of British Industry, Britain's largest employers' lobby, has one word at the top of his agenda – Europe.

Like his predecessor, Sir Bryan Nicholson, he is concerned about the way that the debate over European monetary union and over the "mad cow" scare has affected the UK's relations with the European Union. He is determined to counter the upsurge of anti-European feeling on the right-wing of the governing Conservative party.

He supported Sir Bryan's increasingly outspoken attacks on the Eurosceptics, which culminated on Tuesday in a speech to the CBI's annual dinner in which he condemned those who called for Britain's withdrawal from the EU as "a plague of locusts".

"It would be foolhardy for this country to contemplate removing itself from the EU," said Sir Colin. "It's easy to say, 'Look at the growing markets in east Asia and in America and in the Commonwealth'. But we have to be realistic. Europe is our backyard. To risk our European trading relationships would be very unwise."

Sir Colin, who was formerly chief executive of British Airways, plans to redouble the CBI's recent efforts to promote business's pro-European views, starting with the launch next month of a Business in Europe campaign. This is aimed at encouraging informed discussion about monetary union and other issues – trying to raise what the CBI sees as a very low level of debate in the UK.

Sir Colin insists that Britain's attitude to the EU should not be uncritical. He supports the UK's decision to opt out of the EU's social chapter. The problem, says Sir Colin, is not so much what is currently contained in the social chapter but its possible extension in the future to, for example, minimum wage rules.

He also backs the government position on the UK's possible entry into the European monetary union. Like the government, he believes the question should be decided in the light of the economic conditions at the time of proposed entry.

Like Sir Bryan before him, Sir Colin treads a careful line in commenting on politics. However, he says the government's has created a stable climate of low inflation and low interest rates. The most important job for the new government, of whatever party, is to continue with these macroeconomic policies.

The CBI yesterday threw its support firmly behind the prime minister's effort to solve the BSE crisis by refusing to co-operate in EU business until the matter is settled, Stefan Wagstyl writes.

Senior officials drew a distinction between the CBI's attacks on Eurosceptics and its reaction to the BSE affair. They denied there was any connection between Mr John Major's efforts and the demands of those who wished to see the UK pull out of the EU. Sir Bryan Nicholson, the CBI's retiring president, said: "All clubs have spats. Other member states have had them. These things happen. The assertion of national interest is perfectly legitimate within the club."

● Unison, Britain's biggest trade union, is likely to come out against a single European currency at its conference next month, **our Labour Editor** writes. That will raise the prospect of serious union opposition to the Labour party's growing sympathy for European Monetary Union.

Unison, which has 1.4 members in the public sector, is expected to oppose a European single currency unless the convergence criteria laid down in the Maastricht treaty are relaxed. Officials of the Trades Union Congress fear that, if hostilke resolutions are passed at the Unison conference, other unions may follow suit and undermine the TUC's current pro-Emu strategy.

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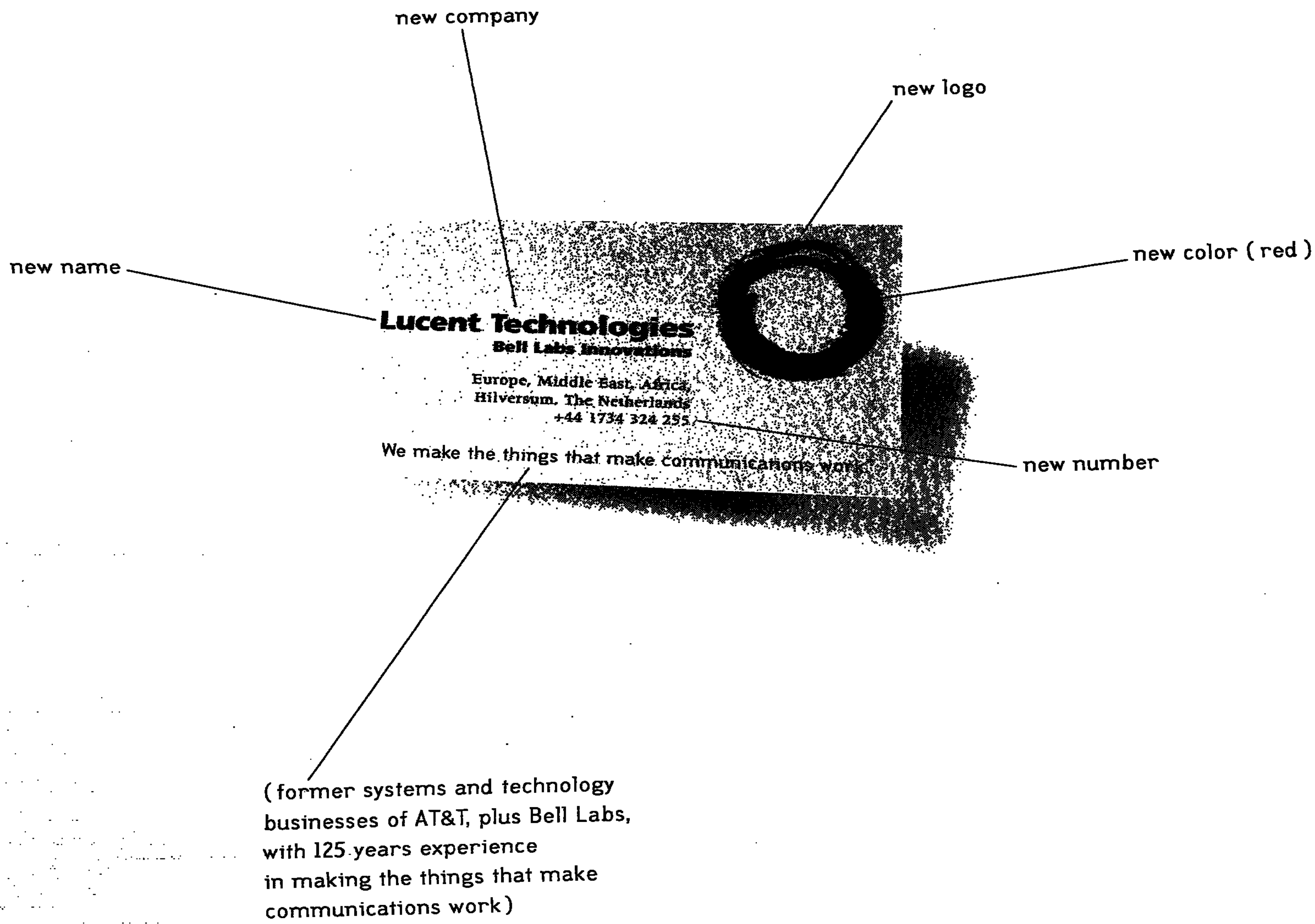


TECHNOLOGY

Tom Mead on blends of microscopic life-forms that will take the strain off the drain

Grease busters

Within the beakers and incubators at the Brookhaven National Laboratory in Long Island, New York, there teems a small zoo of single-minded microbial blends.

They have been developed to address one of the more prosaic consequences of western consumers' appetite for french fries, hamburgers and rich desserts. These microbes eat kitchen grease – enthusiastically.

Kitchen grease is a big problem. Millions of pounds of it is produced by restaurants, meat rendering plants, fast-food outlets and innumerable domestic kitchens. It clogs pipes, overtaxes municipal water treatment plants and ends up in landfills.

For years, scientists have been investigating the use of biological agents for oil refining. They have also been seeking ways to manage the heavy-metal sludge that results from geothermal power production.

This led to the identification of a number of extremeophilic microbes – microscopic life-forms that thrive in extreme environments. They were seen as a potentially efficient and cost-effective solution to the expensive, hidden and growing problem of grease removal and disposal.

In conjunction with Environmental Solutions, a private Long Island enterprise, Brookhaven's scientists researched the life-cycle of the bacteria to develop this example of living technology and to help optimise the particular bacterial strains used.

As one consequence, on Earth Day, April 22, biochemists at Brookhaven poured a batch of the specialised microbes down a kitchen drain in the laboratory's cafeteria.

They are not unleashing dangerous mutant life-forms. It has been known for more than 100 years that micro-organisms are capable of degrading organic pollutants in waste streams.

Over the past 50 years, understanding of these microbial species, and the benefits of their biochemistry in the environmental cycle, has grown significantly. That understanding has resulted in the successful use of these biological processes in the targeted treatment of domestic sewage and some industrial wastes.

The strains going into the drain at Brookhaven are blends of naturally occurring, non-pathogenic species commonly found in soil samples. In this case, they are the product of a proprietary medium in a portable bioreactor that germinates and grows a highly concentrated blend of live, active, acclimatised and naturally occurring saprophytic (grease-eating) bacteria.

Once in the plumbing system, the microbes live and multiply as long as their byproducts are removed, and grease, their food, is introduced. They are effective for about two to three weeks.

Depending on the type of oil or grease being processed, each microbe can process several hundred times its own body-weight. A millilitre of 100m microbes can digest many kilograms of grease in 24 hours.

The blends of up to 14 types of bacteria produce large quantities of enzymes that work outside the bacterial cells. The enzymatic biochemical action reduces the accumulated grease and detergents into a milky, water-soluble end-product of fatty-acids and fatty-alcohols. The acids and alcohols are less gummy, flow much more easily in water, are easily pumpable and can be disposed of in an environmentally acceptable way at conventional water treatment plants.

The process currently requires the installation of a dispensing method and the periodic attention of a technician. But Eugene Premuzic, a biochemist in Brookhaven's department of applied science, expects that an off-the-shelf version "may be available for the ordinary home kitchen within three years".

The grease-eating microbial biocatalyst blends are patented and the process and methods are proprietary and licensable. Research continues into the use of some high-temperature tolerant organisms to refine low-grade oils by lowering the concentration of sulphur, nitrogen and heavy metals found in heavy crude oils. Conventional refinement processes could then be applied economically.

The technology is also being investigated as a solution for the silica, arsenic, chromium, mercury and lead that are the byproducts of efforts to produce electrical power from geothermal steam. These metals are precipitated out of the earth as steam as it cools after reaching the surface.

"In terms of applications of the properties elaborated by some of these extremeophilic bacteria, this is certainly a new avenue for biochemical technology – a combination of biochemical mechanisms and chemistry proper," says Premuzic.

Osteoporosis drug in fracture fight

Daniel Green reports on the results of a new trial

One of the most unpleasant, dangerous and expensive-to-treat conditions – bone fractures that result from osteoporosis – could be brought under control by a newly launched drug.

This is the implication of the first large-scale clinical trials designed to test whether Fosamax, a drug made by US company Merck, prevents fractures. Previous tests measured bone density, and older drugs have not shown a link between increased bone density and fracture prevention.

Announcing the trial results in Amsterdam yesterday as "exciting and significant", researchers said women with a previous spinal fracture had a 51 per cent lower risk of hip breaks and a 46 per cent lower risk of new spinal fracture if they took the drug.

The three-year study looked at the fortunes of 2,027 women aged between 55 and 80 with previous spinal fractures. Osteoporosis is a condition that is closely liked with women who have passed menopause.

"This is the first study to show a reduction in hip fractures in a general population of post-menopausal women with osteoporosis," says Dennis Black, epidemiology professor at the University of California at San Francisco.

He says there had been estimates of the cost of hip fractures in the US alone of $10bn (£6.5bn) a year.

Black adds that the trial has been so successful that independent monitors ended it early to allow those taking the placebo, or dummy drug, to be given Fosamax.

The drug has already been approved in 30 countries and Merck has now asked the US Food and Drug Administration for approval to sell Fosamax for the prevention of osteoporosis as opposed to its initial approval as a treatment. Analysts say the prevention indication is key to expanding Fosamax sales.

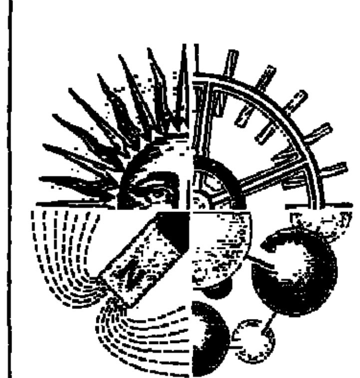
Jo Walton, pharmaceuticals analyst at Lehman Brothers, the stockbroker, in London, says: "We expect the market for this type of drug to expand dramatically." She forecasts sales of Fosamax rising to $1bn a year.

Edward Scolnick, president of Merck Research Laboratories, says the drug is likely to be used both alone and with hormone replacement therapy. Most women take HRT for a limited time because of the side-effects, he says, adding that Fosamax had few enough side-effects for it to be taken indefinitely.

That would allow it to be used to prevent decreases in bone density, avoiding the need to visit a doctor for bone density measurements. In addition, Fosamax rebuilt bone that had been lost much faster than did HRT, said Scolnick.

The second part of the study, known as the Fracture Intervention Trial, is following a further 4,000 patients with osteoporosis but who had not yet had a fracture. It is expected to yield results early next year, Black said.

Worth Watching · Vanessa Houlder



Vaccine discovery for meningitis

A team of Canadian scientists announced this week that they have come up with a vaccine to fight bacterial meningitis, responsible for about half of all meningitis cases, *writes Victoria Griffith*.

The researchers hope the vaccine will become the first to be approved by the Food & Drug Administration to fight the disease. The scientists plan to develop the products with IAF BioVac, a subsidiary of the Canadian biotechnology group BioChem Pharma. According to the scientists, experiments showed the vaccine to be 80 per cent effective in preventing the disease in mice.

The vaccine, based on a monoclonal antibody, would be effective on all strains of bacterial meningitis, since it works by binding to a protein common to all forms. Most fatalities occur in children, and the Laval scientists foresee infant vaccinations as their primary market.

Laval University Hospital: Canada, tel 4186507236; fax 4186561199.

World's biggest integrated circuit

Philips Research has designed what it believes to be the largest single integrated circuit in the world – a solid state image sensor that measures 86mm by 110mm and contains more than 66m pixels.

Philips built the device, which will be used in professional astronomy, by piecing together blocks of sensors containing 1024 x 1024 pixels. Its size was merely limited by the size of the wafer.

This modular production technique allows different sensors to be made using the same masks. That could significantly cut down the development time and costs of sensors containing between 1 and 66m pixels.

Philips Research: The Netherlands, tel 402742204; fax 402744947.

Paint removal by laser

Removing rust or old paint from a surface tends to be a messy, laborious task. But the Fraunhofer Institute for Laser Technology in Aachen has developed a system that removes certain coatings more effectively than existing chemical, heat and mechanical processes.

The system uses a solid-state laser with a focused beam that vaporises the coating. The residues are then transported to a filter chamber by a built-in suction device. The laser is attached to a fibre optic cable that is up to 100m long, so that it can be easily moved.

Fraunhofer Institute for Laser Technology: Germany, tel 3418906194; fax 3418906121

TB under ultraviolet spotlight

The resurgence of tuberculosis across the world has been exacerbated by the drug resistance of some strains of the TB bacteria. US researchers are now investigating the use of ultraviolet lamps as an alternative means of destroying the TB bacteria.

The California-based Electric Power Research Institute is planning a controlled study into the effectiveness of UV lamps in shelters for homeless people, where the disease is often transmitted. EPRI is also planning tests in Africa, which has been particularly badly hit by the tuberculosis epidemic.

Electric Power Research Institute: US, tel 415 8552000; fax 4158552041.

An end to a knotty problem

Anyone incompetent at tying knots in balloons need struggle no more. Self Sealing Systems, a balloon equipment manufacturer, has developed a method of processing balloons so that they seal themselves.

A chemical treatment of the neck of the balloon makes the latex adhesive, so that it sticks to itself when pressure is applied.

Self Sealing Systems: UK, tel (0)171 629 0098; fax (0)171 629 0420.

ARTS

Cinema/Nigel Andrews

Master of dysfunctionalism

With dazzling timing Mike Leigh's *Secrets And Lies* jets from Cannes to Britain this week, pausing only at customs to declare one Golden Palm, one International Critics Prize and one Best Actress award. A playwright-filmmaker often thought British to a fault has now been pronounced British to a virtue. Foreigners have gone mad for a comedy in which everyone is a foreigner (to each other) and where Anglo-Saxon dysfunctionalism finds its master artist.

Leigh has sneaked a human universality, an esperanto of beatific bewilderment, into his plot about a white working-class unmarried mother (Brenda Blethyn) who learns that the baby girl she surrendered for adoption years before is now successful, middle-income – and black.

This human earthquake is surrounded by affiliated tremors. Since we are in a Mike Leigh film the entire extended family demands screen time. Painted in shades of farcical despair, they are Cynthia's grumpy second daughter (Claire Rushbrook, white) who roadsweeps for the council, Cynthia's semi-estranged brother who is a wedding and portrait photographer (Timothy Spall) and his wife (Phyllis Logan), whose taste for social climbing is turning Bermondsey into a suburban Annapurna.

While Spall and Logan try to better themselves – gilt fittings or faux marble in every bathroom – Blethyn's house is a dingy hermit's hovel decorated in Early Pinter. It is also riven with paranoia. Every mother-daughter conversation is a row. Every potential son-in-law is pronounced weird ("Shifty bloke. Walks like a crab"). And every telephone call from a stranger threatens disaster. When black Hortense (Marianne Jean-Baptiste) not only calls but calls in – amicably waving the adoption papers – Cynthia goes into crisis.

No wonder Brenda Blethyn won the Best Actress award. God designed her face for a Mike Leigh film. The incandescent hazel eyes are made for hysteria, the mouth is an intense and quivery slit, and she does much of her acting with the expressive ski-line between centre nose and upper lip.

Not that "acting" suffices as a description. Blethyn simmers, sniffles and boils over, helped by what seems a permanent head cold. Going into tearful overdrive at each opportunity, she squeaks out her arias of incomprehension. "Oh no, darlin'," she protests to Hortense and the waved paperwork, "that's someone 'avin' a joke, that is!"

Conspiracy is all around. Roxanne's face is sewn into a distrustful scowl. Logan blames her childlessness on God, the cosmos and the poor decorating taste of the neighbours. And even the bearded Spall, resembling a mild-mannered hedgehog, sees the workings of persecution mania or picturesque mishap in his daily photographic work. The married couple who bicker just before composing their faces for the say-cheese smile; or the disfigured beauty consultant anxiously turning her intact profile to the lens.

Esperanto of beatific bewilderment: Timothy Spall and Brenda Blethyn in Mike Leigh's award-winning 'Secrets and Lies'

SECRETS AND LIES **Mike Leigh**
PRIMAL FEAR **Gregory Hoblit**
ANGUS **Patrick Read Johnson**
MUPPET TREASURE ISLAND **Brian Henson**
UNE FEMME FRANÇAISE **Regis Wargnier**

The film is troubled by a few twinges of Great Statement Syndrome. The two characters who "see through" the lies and secrets need not have had quite such symbolic jobs: he a photographer, she an optometrist. And at the climactic family party the themes and tensions are bullied into an over-hasty resolution, complete with a here-comes-the-message speech about failed family communication by Spall. But by then we are in love with the characters and with whatever they do. And who will complain about a film that seems too hasty at two hours and 20 minutes?

★

Primal Fear also flies by. Indeed the stewardesses have scarcely had time to serve drinks before we are entering first turbulence: the murder of a Chicago archbishop by (it seems) an altar boy. Minutes later we are in high blue heaven with the first of a dozen courtroom scenes. And before we have had enough of that, the key witness is signalling climax time by physically attacking the key lawyer right there in front of Judge Alfre Woodward.

This is one of those trials where M'lud, or in this case M'lady, raps "Counsel will approach the bench" so often that it might be best to install a travelator. Defence lawyer Richard Gere is a wheeler-dealer developing a conscience, so he uses every trick to spring his client (Edward Norton) to freedom. We cannot give away the dénouement except to say that the works of R.D. Laing might be a clue. But we can say that the film purrs along like Concorde, as directed by Gregory Hoblit and written with many a legal world *bon mot* by Steve Shagan and Ann Biderman from William Diehl's novel.

★

For younger viewers, *Angus* and *Muppet Treasure Island* both have charms. The first is a comedy about a kilogrammatically challenged high school boy (Charlie Talbert) whose corpulence causes girls to shun and bullies to victimise him. Can he triumph on the football field? Can he then go the school prom with the nymph of his dreams?

This being Hollywood, the answers are predictable. But the questions are agreeably put and newcomer Talbert is joined by Kathy Bates and George C. Scott, leaving no scenery unchewed as Ma and Grandpa.

Kermit is Captain Smollett, Miss Piggy is Benjamina Gunn and Tim Curry is Long John Silver in *Muppet Treasure Island*. The gold takes a while coming in this fitful romp, which earned the loudest press show giggle for the credit "based on the novel by Robert Louis Stevenson". *RLS* can scarcely have envisaged a Hispaniola captained by a frog and crewed by species-defying glove puppets. It passes pleasantly, right up to the *pièce de resistance*: a Kermit-Piggy love duet sung with both creatures hanging upside down over a cliff for reasons we cannot pause here to explain.

The Muppets might have saved – no one seems able to – the risibly novelettish *Une Femme Française*. Kermit in a kepi would have been admirable as the distraught husband, here essayed by Daniel Auteuil, whose beautiful man-hungry wife Emmanuelle Béart (or in our fantasies Miss Piggy) betrays him every time he goes off to war.

And does he go off to war. The second world war, Indochina, Middle East, Algeria. The poor man has scarcely re-polished his buttons before La Béart is out of the door in violent lipstick and red slit dresses. She hails passing males as other people hail taxis. The only difference is that *she* bores *them* with her life story and obsessions.

It all ends in rage, tears and violent mid-Atlantic subtitles. Writer-director Regis Wargnier's previous film *Indochine* was notably trite. But here there is not even the scenery and Catherine Deneuve: just two people battling for control in a marriage that should have been dissolved in scene one.

Theatre/Sarah Hemming

The 'Phaedra' myth updated

Anyone who saw Sarah Kane's *Blasted* at the Royal Court last year will not approach *Phaedra's Love*, her new version of the Phaedra-Hippolytus myth, expecting poetry, subtlety and restraint. (*Blasted* was the atrocity-packed play that drove detractors to decry it as "filth" and supporters to compare it with Bond's *Saved*). And Kane certainly does not disappoint expectations. This time her visceral drama ends in a bloodbath involving rape and castration, with bleeding body parts being chucked over the audience's heads, while the themes that preoccupied her in *Blasted* – the violence, hypocrisy and apathy of the modern age – come seething back, strapped on to the classic myth.

Kane takes the bare bones of the tragedy and with just a glance at Seneca and Euripides, recasts it as a desolate, grim, yet paradoxically entertaining tale for the late-20th century. Phaedra's illicit love for her chaste stepson Hippolytus is enacted in a modern – though non-specific – royal family. Here Phaedra and Hippolytus need no help from fate or the gods to be doomed: their tragic mismatch is just a foregone conclusion in a morally bankrupt, voyeuristic world where the monarchy is merely a ludicrous repository for left-over notions of national glory.

Within minutes of the lights going down, Phaedra is confessing her dangerous lust to her uptight daughter. Gone is her moral struggle; the only restraint on her is the possibility of public humiliation. Hippolytus, meanwhile, far from being an athletic hunter, is a first-class slob, who lies about in his room all day, slumped in front of the television, eating junk food, masturbating and wiping his nose on his socks. Scarcely the model of chastity either, he orders in women as if they were pizzas and his sex drive has warped into another extension of his self-loathing: as he allows himself to be ministered to, he adopts the same air of detached boredom as he does when playing with his remote control car.

With Phaedra's moral dimension reduced, Hippolytus becomes the focus of the play, his nihilism and cynicism portrayed as a logical response to a world that he perceives as meaningless and hypocritical. He lets his step-mother have sex with him, then, following on her desperate suicide, allows himself to be accused of rape and finally torn apart by a bloodthirsty crowd.

It is not a reading that anyone could accuse of subtlety, but it is delivered with great punch and laced with black humour: "If only there had been more moments like this", gurgles Hippolytus through a mouthful of blood, as he watches the vultures circle over his broken body. There is an energy, a level of self-parody about the writing that reminds you of Jacobean tragedy, splendid in its excessive response to daily corruption. Kane also directs; in an open-plan auditorium, the actors are scattered around the audience which gives the whole evening a feeling of immediacy.

The cast is enjoyably intense: Philippa Williams as a possessed Phaedra would have her eyes on stalks if it were physically possible, while Cas Harkins's *Hippolytus* portrays all the absurd attraction of unwashed, bad-tempered youth.

At the Gate Theatre, London W.11 until June 15 (0171-229 5387).

Ballet/Clement Crisp

Bintley's 'Burana'

Carmina Burana starts with the blasting clamour of "O fortuna", and my heart sinks. It is going to be a long haul as the four-square rhythms and relentless naiveties of Orff's bombastic score bang around us. For reasons which I find it hard to fathom, the score has attracted several choreographers. The imagery of its medieval verses – lust; drink; remorse; spring-time – may have interest: the motor-force of the music has the subtlety of a landslide. It is curious that Orff believed in a unity between music and movement for educational purposes. With *Carmina Burana*, it sounds as if the movement was marching, and the education no more than drill in a kindergarten.

For his Birmingham Royal Ballet, David Bintley made a staging of *Carmina Burana* last autumn, and this was the chief piece in Tuesday's opening of the company's Covent Garden season. I reported with some reserve about the first performance; renewed acquaintance does not make matters any happier. Faced with this stretch of musical concrete, Bintley has pulled out every stop to give an air of dynamic excitement – and to judge by public response, he has succeeded. He has turned it into a modern morality, and played every trick he decently can from the dance-hall trick and the chair trick to pregnant girls, wide-boys and gangsters, young love, old love, rage, gluttony, men in drag, a line of laundry, and Michael O'Hare giving us *oodles* of charm. But such display cannot disguise the emptiness and superficiality of the ballet. I find it lifeless.

Philip Prowse, masterly designer, has pulled out even more tricks in a brave attempt to make matters seem lighter than they are, and his decorations are brilliant. (He knows – as do too few designers today – that the stage is a box to be filled with magic.) The BRB dancers rush about with the best will in the world, but Orff's Nuremberg rally of a score regiments and dogs their every step. Bintley has done what he has had to do with skill, but it is an unequal contest with this orchestral brute. Under Peter Ernst Lassen, the Royal Ballet Sinfonia, the Royal Opera chorus, Judith Howarth, Martyn Hill and Anthony Michaels-Moore gave what the score's admirers would find a strong reading.

There had, happily, been music to start the evening. The Glazunov pieces that make up *Birthday Offering*'s score have the lilt and grace of true *musique dansante*. Ashton loved their felicity, their delicious imaginative variety, and made this dazzling series of portrait solos to depict the Royal Ballet's galaxy of ballerinas in 1956. (Seven ballerinas; count them, and wonder what has gone wrong after 40 years!) Idle to suppose that BRB can field artists to make us forget Fonteyn and her colleagues, but things might look a bit jollier if Peter Farmer had not decided to set the ballet on a late February afternoon near a crematorium. Gloom is all. BRB's young ladies are earnest and well intentioned, but only Sandra Madgwick catches the buoyant wit of Nadia Nerina's variation, with Dorcas Walters also pleasing because she so enjoys showing us Rowena Jackson's quick-spirited variation. The men look rather sober-sided, as if they have not yet got over the loss of a loved one.

Opera/David Murray

Così comes a cropper

At Glyndebourne, the revival of Trevor Nunn's 1991 production of *Così fan tutte* lacks lustre. Maria Bjornson's elaborate cruise-liner settings look good on the larger new stage and the accomplished sextet of principals are an attractive crew; but the best things remain unmoored to any wider dramatic action – or to any longer musical span. I blame Franz Welser-Möst.

A test of any *Così* conductor is its pair of scene-long finales, especially that of Act 1. Each of them is a marvel of accumulative impetus and invention, contriving to forge a string of contrasted numbers into a continuous, almost "symphonic" chain. In Welser-Möst's hands there was no perceptible chain at all – just one number after another, often separated by long pauses (he favoured dank pauses among the recitatives, too). The great Act 1 finale lost most; dragged out and broken up like this, no amount of comic visual business could keep it alive.

Most of the ensemble set-pieces were well polished, to the point of suppressing individual character, but in the rest of the score there were continual lapses of rapport between Welser-Möst and his singers. The romantic sisters survived best: the young Norwegian soprano Solveig Kringelborn's bright, full-voiced Fiordiligi rose to a commanding "Per pietà", and the American Susan Graham's tall, nervy Dorabella – not the usual cuddly flibbertigibbet at all – was always interesting. Their own dramatic rapport developed charmingly.

Not so with their swains. John Mark Ainsley's hyper-chaste Ferrando and Simon Keenlyside's promising but oddly backward Guglielmo, whose bitter eruption in the "wedding" quartet would have gone unnoticed without the supertitles to tell us what he was saying. In "Albanian" guise their quaint east-Mediterranean hats, sunglasses and mustachios made them blank stereotypes, stripped of any subtler comic potential – as far as Michael McCarthy's revival of Nunn's production took them, at any rate.

Ainsley's justly admired voice began to fade early; too many engagements, perhaps? By "Tradito, schernito", Ferrando's pent-up explosion of betrayal and disillusion, he was emitting a faint, bloodless line over Welser-Möst's slow, creaky accompaniment. (The LPO strings were very uncomfortable at that tempo.) For the cynical philosopher Don Alfonso, Jake Gardner's tight, middle-weight baritone needed more bass substance to ground the ensembles properly.

Lillian Watson has been repeating her shrewd, sprightly Despina for many years now. Its fetching gloss seems to have dulled into routine; worse when she masquerades as the Notary who "marries" the wrong lovers. In context, Mozart's music for "his" brief appearance is quirkily inspired, from the poignant harmonies that unexpectedly colour his first lines to his sublimely mindless legal repetitions later, which drive the orchestra to finger-drumming and then to evasive fantasies. That is a little miracle of characterisation, and it was horrid to hear the Notary's part in it sung deliberately off-pitch for raw comic effect.

Revival sponsored by Associated Newspapers; in repertory until July 9 (performances after mid-June conducted by David Parry).

INTERNATIONAL

ARTS GUIDE

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Solomon: by Handel. Performed by the Rundfunk-Sinfonieorchester Berlin and the Rundfunkchor Berlin. Soloists conducted by Robin Gritton. Soloists include sopranos Claron McFadden and Catherine Denley; 8pm; May 24
DANCE
Deutsche Oper Berlin
Tel: 49-30-3438401
● Undine: a choreography by Neumeier/Ashton, performed by the Ballett Deutsche Oper Berlin. Soloists include Raffaella Renzi, Lisa Collum, Victor Alvarez; 7pm; May 24, 27
OPERA
Staatsoper unter den Linden
Tel: 49-30-2082861
● Der Rosenkavalier: by R. Strauss. Conducted by Donald C. Runnicles and performed by the Staatsoper unter den Linden. Soloists include Ashley Putnam, Günter von Kannen and Hans Joachim Ketelsen; 6.30pm; May 24, 27 (6pm)
THEATRE
Deutsches Theater und Kammerspiele Tel: 49-30-2824238
● Uncle Vanya: by Chekhov (in German). Directed by Thomas Langhoff and performed by the Deutsches Theater. The cast includes Grube-Deister, Keller, Krumbiegel and Schall; 7.30pm; May 25

■ COPENHAGEN

JAZZ & BLUES
Copenhagen JazzHouse
Tel: 45-33 15 26 00
● James Moody: performance by the tenor saxophonist, accompanied by The Bent Jaedig Quartet; 9.30pm; May 25

■ DETROIT

EXHIBITION
The Detroit Institute of Arts
Tel: 1-313-833-7963
● Surrealist Vision and Technique: Drawings and Collages from the Pompidou Center and the Picasso Museum, Paris: this exhibition includes collages, automatic drawings, "decalomania", and collective drawings by artists associated with surrealism in Paris during the 1920s and 1930s such as Max Ernst, Man Ray, André Masson, Pablo Picasso and Salvador Dali; to Jul 7

■ DRESDEN

OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Nabucco: by Verdi. Conducted by John Fiore and performed by the Sächsische Staatsoper Dresden. Soloists include Hans-Joachim Ketelsen, Tom Martinsen, Danilo Rigosa and Soja Smoljaninova; 7pm; May 26

■ EDINBURGH

OPERA
Edinburgh Festival Theatre
Tel: 44-131-5296000
● Amadigi: by Handel. Conducted by Laurence Cummings and performed by the Opera Theatre Baroque Orchestra. Soloists include Jonathan Peter Kenny, Majella Cullagh, Anne O'Byrne and Buddug Verona James; 7.15pm; May 25

■ GENEVA

CONCERT
Victoria Hall Tel: 41-22-3283573
● Orchestre de la Suisse Romande: with conductor Günther Herbig, oboist Roland Perrenoud and clarinettist Michel Westphal perform works by Mozart and Shostakovich; 8.30pm; May 24

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Nelson Goerner: the pianist performs works by Bartók, Beethoven and Chopin; 7.30pm; May 25
DANCE
Queen Elizabeth Hall
Tel: 44-171-9604242
● Trisha Brown Company: performance by this dance company led by New York's Trisha Brown. The programme includes Brown's latest work MO set to J.S. Bach's Musical Offering, with costumes by French designer Irie, and her piece Set and Reset, with a Laurie Anderson score and multi-media designs by Robert Rauschenberg; 7.45pm; May 24, 25
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Far from the Madding Crowd: a choreography by David Bintley to music by Paul Reade, performed by the Birmingham Royal Ballet. Soloists include Monica Zamora, David Justin and Yuri Zhukov; 2pm & 7pm; May 25
EXHIBITION
British Museum
Tel: 44-171-6361555
● David Le Marchand (1674-1726) - An Ingenious Man for Carving in Ivory: exhibition of works by this French-born artist who settled in Edinburgh in 1696; from May 24 to Sep 15
THEATRE
Barbican Theatre
Tel: 44-171-6388891
● The Taming of the Shrew: by Shakespeare. Directed by Gale Edwards and performed by the Royal Shakespeare Company. The cast includes Josie Lawrence; 7.15pm; May 24, 25 (also 2pm), 27, 28

■ LYON

OPERA
Opéra de Lyon Tel: 33-72 00 45 00
● Carmen: by Bizet. Conducted by Kent Nagano and performed by the Opéra de Lyon. Soloists include Doris Lamprecht, Hélène Perraguin, Daniel Galvez-Vallejo and Norah Amsellem; 8pm; May 24, 25

■ MADRID

CONCERT
Auditorio Nacional de Música
Tel: 34-1-3370100
● Orquesta Nacional de España: with conductor Manuel Galduf, violinist Félix Ayo and cellist Lluis Claret perform works by Brahms and Beethoven; 7.30pm; May 24, 25, 26 (11.30am)

■ NEW YORK

EXHIBITION
Guggenheim Museum Soho
Tel: 1-212-423-3840
● Insight: African photographers, 1940 to the present: exhibition, including more than 130 works by 28 artists, exploring the achievements of photographers from Africa in the years that marked the emergence of independent African states; from May 24 to Sep 29
Whitney Museum of American Art
Tel: 1-212-570-3600
● Kienholz: A Retrospective: this exhibition presents the full range of Kienholz' own work and his 20 years of collaboration with his wife and partner, Nancy Reddin Kienholz; to Jun 2

■ PARIS

EXHIBITION
Musée des Arts Décoratifs
Tel: 33-1 44 55 57 50
● Les Dubuffet de Dubuffet: exhibition of works by Jean Dubuffet from the collection of the artist himself; to Jun 30

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Radu Lupu: the pianist performs Beethoven's Sonata in C minor, Op.10, No.1, Sonata in F major, Op.10, No.2 and Sonata in C major, Op.10, No.3, and Schubert's Sonata in A minor, Op.42, D845; 8.45pm; May 24

■ SAN FRANCISCO

EXHIBITION
M.H. De Young Memorial Museum
Tel: 1-415-750-3600
● Fabergé in America: touring exhibition comprising approximately 400 objects created by the workshop of the Russian jeweller and entrepeneur Peter Carl Fabergé (1846-1920), drawn from American collections; from May 25 to Jul 28

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Tokyo Symphony Orchestra: with conductor Naoto Ohtomo and pianist Markus Schirmer perform works by Takemitsu, Ravel, Nishimura and R. Strauss; 7.30pm; May 24

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● The Kennedy Center Opera House Orchestra: with conductor Heinz Fricke perform Haydn's Symphony No.45 and Mozart's Concerto for Flute and Harp, and the overture to La Clemenza di Tito; 7.30pm; May 24

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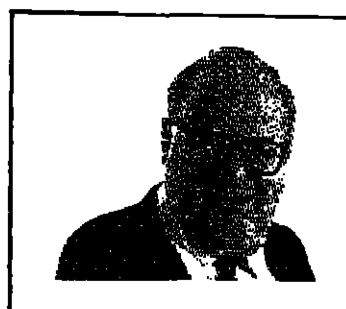
COMMENT & ANALYSIS



Economic Viewpoint • **Samuel Brittan**

Spending trap always there

If the Maastricht criteria for budget deficits and the proposed European stability pact did not exist, something similar would have to be invented

One of the most influential economic tracts penned in modern times was by two Oxford economists, Robert Bacon and Walter Eltis, entitled *Britain's Economic Problem*. This was based on three articles in the Sunday Times published in 1975 on the eve of the IMF crisis when UK inflation had reached 25 per cent, public sector borrowing was 10 per cent of gross domestic product and public expenditure was 48 per cent of GDP.

Their thesis was that the state sector was expanding at a rate which was strangling the creation of real wealth. The headline idea was not new. The novelty introduced by the authors was the emphasis on the decline in the number of people in the productive sector, whose efforts were required to finance the public-sector leviathan.

I have to admit that I did not jump on board the Bacon-Eltis bandwagon despite its anti-statist bias. When first launched under the title "Too Few Producers", the original articles were too reminiscent of Tony Benn's de-industrialisation thesis, which mistakenly identified the fortunes of the whole economy with that of a chosen key sector, in his case manufacturing.

By the time the Bacon-Eltis thesis appeared in book form, the authors had moved towards a more defensible demarcation between a market sector, comprising any activity which produced something that was sold, whether at home or abroad, and a collective sector which did not sell its services but was financed by the taxpayer. The latter was dependent for its support on the surplus which could be extracted from the market sector.

There was a further element that provoked misgivings. Other things being equal – which, of course, they are not – I have always preferred private or voluntary provision to the collective variety. But this is a matter of political philosophy. If most citizens have a preference at the margin for collective provision, I doubted there was an iron law of economics preventing them following their inclinations.

Nowadays, the Bacon-Eltis view of the world is pretty well accepted in general terms. Gordon Brown's troubles with some of his colleagues in the Labour party come from the shadow chancellor's conviction that it would be disastrous for Labour to be seen as the party of higher spending and taxes.

The plight of so many continental countries that are wrestling with low growth and public-sector deficits is widely traced to their following the path of high collective spending. International bodies, such as the IMF, praise countries, whether the US, the UK or emerging economies, that have kept public spending ratios at well below the 50 per cent of GDP that is typical of much of Europe.

Bacon and Eltis have reissued their book with a retrospective analysis (published by Macmillan under the title *Britain's Economic Problem Revisited*). They now produce a more precise version of their theory. They see three stages in the destabilising influence of a growing state sector.

First, a fraction of the tax increases imposed to pay for that growth will be passed on in higher labour costs. Second, these higher costs will in turn reduce market-sector employment. Third, taxation is pushed up yet further because people displaced from the market sector will be an added burden on state finances.

They identify three propensities which together determine whether the process they identify will be explosive or not. The first is the elasticity of the cost of labour with respect to taxation. The second is the responsiveness of market-sector employment to the cost of labour. The third is the extent to which tax rates rise as market-sector employment declines.

They have come to the reassuring conclusion that these combined propensities are no longer explosive in the UK. They believe that the proportion of a tax increase which can be passed on in higher pay has declined from 0.6 some 20 years ago to 0.3 today.

This is largely due to the weakening of union power under the Thatcher government. In other words, there has been a reduction in the power of unions to insist on preserving post-tax real wages, come what may. They do not see much change in the responsiveness of market-sector employment to the cost of labour.

Most crucial of all has been the change in the third propensity: the authors estimate that 20 years ago the cost of employing a displaced private-sector worker in the public sector was about 1.3 times his original income. Today, there is no such obligation and the relevant ratio is that of the dole to the original income, typically 0.4.

The authors use this intellectual apparatus to explain the recent explosion of the Swedish welfare state, vividly illustrated in the accompanying chart. They cite the episode as a solemn warning against the British forgetting the lessons of the past and allowing state spending to creep up again.

At an international level, the alarm about rising public spending is, if anything, greater now than 20 years ago. The IMF *World Economic Outlook* has what, by the standards of that organisation, is a chapter of purple prose on the dangers of rising deficits and debt. It has a chart showing the budget balance in selected industrial countries now hovering around 5 per cent of GDP, a level previously only seen during major wars and in the Great Depression.

The IMF fears these percentages will grow even higher because of the looming deficits in social security budgets as the population ages. The fund estimates the "contribution gap" required to put social security funds on a sustainable basis in the next century. This is put at only 0.1 per cent for the UK, but 3.3 per cent for France and Germany. Translated into personal tax rates, the implied increase is seven percentage points or more in those two countries.

The moral seems to be that if the Maastricht criteria for monetary union and the proposed European stability pact did not exist they would have to be invented.

Do recent developments mark, then, a final triumph for the Bacon and Eltis thesis? At the risk of seeming mean-minded, I must say "not quite". For the danger of rising public spending, seen for instance in the IMF analysis, comes not from a growing non-market public sector but from rising transfer burdens from one group of citizens to another to pay for the welfare state. In other words, we are back with the age-old but valid general warning about the dangers of soaring public spending and tax ratios.

Indeed, the main limit on market-sector employment has been demand rather than any squeeze from the state sector. So the structural side of the thesis, which helped to build a left-right coalition in its support, has not worn as well as more conventional warnings.

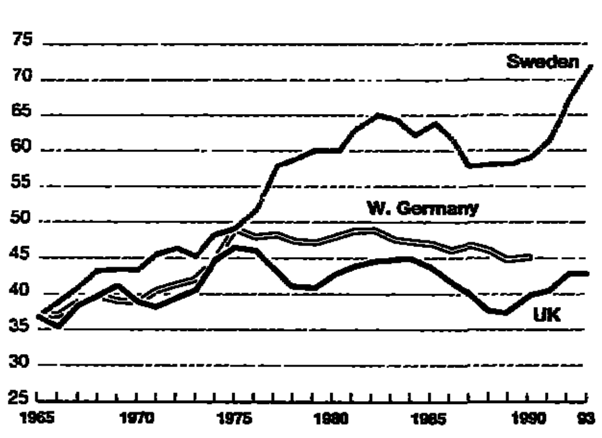
There is a more detailed point, both of theory and of employment policy. By far the biggest change in the UK propensities arises from the authors' assumption that British governments have abandoned their role of employer of last resort.

In principle, there is nothing inherently wrong about the idea of employing collectively workers who would otherwise have been on the dole. It is surely better that they should produce something instead of nothing. What has, however, been convincingly demonstrated – above all in the Swedish case – is that such employer-of-last-resort policies do in practice have a cost for the rest of the population already employed.

Exactly why would require a separate investigation. It may be that people get sucked into state employment when – if left alone – they would eventually have found a niche in the market sector. It may be too that the cost of investment and materials for this last resort employment is a drain on the economy disproportionate to the output produced by those who would otherwise be on the dole.

I am sorry to end with the cliché that special employment measures need to be better designed, more imaginative and more cost-effective than they have been in most countries in the past. But I cannot see any escape.

Ratio of total government outlays to GDP



Source: Bacon and Eltis, based on OECD

BOOK REVIEW • Max Wilkinson

IN THE BLOOD: God, Genes and Destiny
By Steve Jones (HarperCollins, 300pp, £20)

Evolutionary echoes in an empty cavern

The spirit of Darwinism is so strong that, more than a century after his death, few people can take it neat. Darwin himself disdained to water down the theory; but he tried hard to make it palatable by including much that was comfortingly familiar: for example the subtle effects of pigeon-breeding and the astonishing variety of dogs that came out of wolves. He tried to make evolution sound like common sense and to minimise conflicts with the pieties of his day.

Yet the message remains – as Darwin well knew – stark and uncompromising. Mother Nature fashioned tigers in every lineament of beauty to be efficient killers. She condemns the impala to be torn to pieces, the defeated stag to die in agony. She permits the larva of the parasitic wasp to eat its host, a caterpillar, from inside, keeping the victim alive so that its meal stays fresh.

And Mother Nature fashioned the Aids virus, a disembodied section of genetic code designed only to corrupt useful cells and destroy its victims in a mindless orgy of reproduction: it kills slowly and selectively, so there will be plenty of humans left to pass on, during acts of love, the DNA of internal sabotage.

Can Mother Nature really be so cruel? Despite overwhelming scientific evidence for Darwin's theory, educated people still wonder whether the miracle of modern man could possibly have emerged from random genetic changes and the destruction of the unfit. Such doubts, and a renewed interest in the advances of modern Darwinism, have prompted a cascade of popular books.

To mask the astringency of evolution's message, some authors have used grand metaphors (Richard Dawkins's *River Out Of Eden* and *Climbing Mount Improbable*, Matt Ridley's *The Red Queen*, for example). Others such as Robin Dunbar have applied the theory to that fascinating topic of how talking apes manipulate each other. But even this topic is uncomfortable, for modern Darwinism undermines some central assumptions of Christian morality. In *The Moral Animal*, Robert Wright cleverly diluted this theme with an account of Charles Darwin's own life and moral dilemmas.

In the latest offering, Steve Jones, professor of genetics at London University, has tried a thoroughly modern solution. His book, timed to coincide with a BBC2 series, appears based on the theory that homo sapiens has evolved an attention span so bird-like that it must constantly be refreshed with a new image or amazing factoid. So Jones's account of the make-up and distribution of human genes is frequently interrupted by frames from history and biblical analogies.

His attempts to link the story of genes to big words understood by arts graduates is entertaining in a "Well, why not?" sort of way, but also irritating. So "Armageddon" turns out to be the disastrous conjunction of recessive genes inherited by both parents from a remote ancestor. Sex and taxes are the same because the one redistributes wealth, the other genes. But Jones is not a historian and has nothing interesting to say about the distribution of wealth.

So his sonorous sound bites, such as "The battle between capitalism and socialism is, as a result, essentially an argument about sex" become echoes in an empty cavern.

On his own subject, Professor Jones is more interesting and often entertaining: for example on genetic evidence related to the lost tribes of Israel and the genetic basis of diseases. One of his strongest themes is the closeness with which we are all related. Almost everybody in the western world is descended from Nero – and others alive in his time. As he says: "Everybody is related to everybody else." Jews, Gentiles, blacks, whites, Chinese, Slavs, all have far, far more genes in common than the few that distinguish them. So why do they fight?

To understand this, one may go back 20 years to a seminal book by Richard Dawkins. In *The Selfish Gene*, he describes the grand battles fought between the genes that inhabit every living cell. Their function is to tell the cell how to reproduce itself and, when an egg is fertilised, how to produce a new organism.

We humans think of genes as the fragment of immortality we pass on to our children. Jones looks at the relationships between genes and our human condition.

But there is an evolutionary story behind this. Each gene is competing with every other one for survival into future generations. And the inexorable law of survival says every gene alive today must be descended from genes that were better at passing on copies of themselves than the billions that failed to survive.

This anarchic competition is more brutal than envisaged by Darwin, who did not know about the chemistry of inheritance. Yet recent work suggests it can explain harmonies of nature that delight poets and inspire religious faith.

For in the pitiless struggle for survival, two genes are better than one and 2bn better still. So genes combine to produce ever more complex plants and animals, each programmed to compete – or act together – with their fellows and above all to pass whole garrisons of co-operative genes on.

In this, one sees a glimmering of how the harsh laws of genetics may walk hand in hand with the grand conceptions of civilised man. It is a country Steve Jones would like to traverse, but his book is too much the child of the television age to get very far.

In The Blood: God, Genes and Destiny is available from FT Bookshop by ringing FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK

·LETTERS TO THE EDITOR·

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Capital investment that puts people into work

From Dr J. Toporowski.

Sir, Peter Norman cites Kurt Biedenkopf and Gerhard Schroder in Germany as arguing that "investment to replace labour by machines" means "putting people out of work" (Economics Notebook: "Germany fails to bite on the bullet", May 20). They are wrong. Investment in capital-intensive techniques actually "creates" jobs prodigiously in the investment goods sector, providing a more reliable tax base for welfare state provision than low income, low productivity and often "fly-by-night" employment in services.

Germany, whose large heavy goods sector is suffering from excess capacity, is one of the few countries in Europe that could afford such an investment boom. Moreover, Messrs Schroder and Biedenkopf seem to have an exaggerated faith in the efficacy of funded pensions. Ultimately all modern pensions come either from taxes on employment, or from the profits generated by employment in the case of funded schemes.

The rising cost of welfare provision in Germany, as in many other European countries, is less a problem of generous benefits and more one of an inadequate tax base in more slowly rising employment and a stagnant economy (an indictment surely of Europe's politicians and industrialists rather than its pensioners).

Savings out of employment income are therefore hardly a more adequate base for future pensions, except for those who will make money from selling, and mis-selling, private pension schemes. Where these savings are used to purchase claims on future profits, British and American experience suggests that the resulting increase in company liabilities further discourages investment in fixed capital.

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Scheme aids the market more than Names

From Mr Ian Macmillan-Bell.

Sir, I support Mr James Hodgson's views (Letters, May 17) on the Lloyd's reconstruction and renewal offer to Names.

The main purpose of the recovery vehicle, Equitas, is to provide finality (without the inverted commas) to the ongoing market and any "finality" it provides for the membership is incidental. The reserves carried by Lloyd's at the end of December 1994 amounted to some £13.46bn and I do not believe that the figure will have significantly altered for end-December 1995. This sum must be more than sufficient to enable an ongoing Lloyd's to pass solvency at the end of August, with or without Equitas and without the requirement for large sums of money from Names to capitalise the vehicle.

Some members will argue that they want an end to the nightmare and I respect their wishes, but I would ask them to look very hard at what they are being offered before they take their decision and to remember that they are required to give up their litigating rights should they agree to the proposals.

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UK utilities need new regulatory formula

From Dr David Rudd.

Sir, The serious persistent flaws in the regulatory framework, to which you have drawn attention ("Who regulates the regulators?", May 20), have two connected causes:

● In the RPI-X formula, which all the regulators use, they decide on X and the severity of the other parts of the formula by reference to their own, inevitably highly subjective, estimates of all the economic factors on which the utility's profits will depend. That is an impossible task, which was not envisaged when RPI-X was first proposed for BT in 1983.

● The only way of correcting the effects of making X too large or too small is by a radical review every five years – or sometimes less – but that is much too short a period in comparison with the service lives (25 years or more) of the fixed assets in which the utilities must invest.

Consequently the reviews have degenerated into bad-mannered confrontations, in which both sides shout louder and louder in their efforts to get the public on their side.

The solution is to abandon RPI-X in favour of a formula which obliges the utilities to *share* the benefits of their economies (whether by straightforward saving or by expanding their business volume more rapidly than their costs) with their customers and which does *not* require a radical review every few years. Such a formula was first published four years ago under the title *Economy Sharing Regulation*, and again last October by the Institution of Electrical Engineers, but the regulators and the utilities have all either ignored it or dismissed it out of hand. The Labour party has realised the inherent weakness of RPI-X but still clings to the radical review every few years.

Unfortunately, up to now RPI-X has been the source of large profits for the utilities and increasing arbitrary power in the hands of the regulators, who are becoming a priesthood. One has therefore to expect that, if you publish this letter, they may either ignore it or try to rubbish it by misrepresenting the new formula. However, a few readers may be open-minded enough to think there might be something worth investigating. That is how new ideas sometimes get some serious attention in the end.

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Political straitjacket offers no protection

From Mr Mark Brinkley.

Sir, Edward Mortimer's article, "Why Jacques and John make such an odd couple" (May 18/19), lifts the veil on the driving force behind European integration when he writes: "The problem is that in a Europe of nation-states, Germany is bound to be the strongest."

The implication of this widely held view is that, without some form of supranational system to bind it in place, Germany will once more embark upon some calamitous military expansion. However, there is an unholy sub-text to all this that suggests that the Germans cannot be trusted on their own and must, therefore, have some sort of political/economic straitjacket placed around them for the safety of all other Europeans.

Now if this is nonsense, the drive towards integration is quite unnecessary. If, on the other hand, this is true – ie, that the Germans are a danger if left to their own devices – then what evidence is there to suggest that the danger will be reduced by subsuming their power within a larger framework. On the contrary, the history of Yugoslavia provides ample evidence that a federal system provides absolutely no protection at all.

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The challenge for Mr Prodi

Last month's general election triggered an irrepressible optimism about Italy's future, which prime minister Romano Prodi's first actions have done little to dispel. The new cabinet which he unveiled last week has a better grasp of the country's economic problems, and firmer commitment to solving them, than any in recent history.

Even the typically impatient financial markets will not expect Mr Prodi and his colleagues to turn the country around overnight. What is required, however, is a realistic road-map outlining the government's goals for the short and longer term and how they are to be achieved.

The prime minister's speech to parliament yesterday fell some way short of providing such a guide. But it did, at least, stress the right priorities: cutting the budget deficit and fighting inflation in the context of a serious attempt to give Italy a shot at membership of European monetary union.

The budget is clearly priority number one. For starters, there is the roughly L12,000bn (£5bn) package of tax increases and expenditure cuts needed to keep the 1996 budget on course. Mr Prodi was probably right to insist that the new government take on this job of introducing a mini-budget rather than leaving it to Lamberto Dini's outgoing caretaker administration. Abdicating responsibility would have sent the wrong signals about the coalition's ability to impose tough economic decisions alone. And it would have deprived it of a chance to link the mini-budget to its broader economic plans.

Mr Prodi has a fine line to walk in drawing up such an agenda. The state of the public finances, and commitment to preparing Italy for Emu provides few grounds for complacency. The deficit and inflation are well above the average of the European "core". And even those most optimistic of Italy's Emu chances accept that the public debt as a share of GDP will have to have fallen steadily, and predictably, for several years before there is a chance of the lira getting in. The many austerity packages of recent years may, just, have managed to stabilise the debt ratio, but it will take a lot more to reduce it.

Yet Mr Prodi must also remember all the other "fresh starts" for Italy which have been celebrated in the past. The best way for the centre-left coalition to follow the preceding 54 post-war governments would be to announce a range of targets on which it was unable to deliver. The weak and divided state of the opposition should allow the government to push through some unpopular spending cuts. But Mr Prodi must select his battles with care if he is to survive a full five-year term as promised. Delivering on any of the new government's pledges would change Italy for the better – but this one perhaps most of all.

European venture

The transformation of British Biotech into a company with a market capitalisation of roughly FT-SE 100 scale raises an intriguing question for investors. Is the UK at last capable of creating technology-based companies which, in the American fashion, go from nowhere to substantial size in a relatively short period of time?

The question is equally timely for Europe as a whole. In Germany, the rise of the software company SAP sets a similar precedent. The proposed new Easdaq stock market for technology and other growth stocks is built on the assumption that the climate is now right for such businesses to flourish as public companies.

History is on the side of the sceptics. In Britain, which has a tradition of venture capital and early public offerings, the companies which have taken this route most successfully are rarely high-tech start-ups.

Venture capitalists have been happier financing buy-outs of underperforming subsidiaries of big companies – usually in bread-and-butter industries – than getting new technology companies off the ground. And stock market investors are happiest backing rationalising entrepreneurs, or companies with legal or practical monopolies, such as privatised utilities, or newly licensed broadcasters. British start-ups often stay small, as owners plump for contentment over expansion. Alternatively, as with the recent clutch of networking and virtual-reality companies, they sell out to a larger partner at a relatively early stage.

The pattern varies from country to country, but rarely comes down in favour of the creation of American-style publicly quoted high-tech companies. In Germany, there has been a preference for keeping the company in private ownership, even when growth targets are ambitious ones. And throughout Europe, there has been a long-standing tendency for the brightest technologists to stay in ivory towers: universities or the scarcely less academic research departments of big companies.

There are some signs of change. Universities are becoming more commercially minded; big corporate research departments are being slimmed down. Venture capitalists have competed away much of the potential profit in buy-outs, and the risks of high tech are becoming relatively more attractive. Investors have learnt from US examples – along with those closer to home – just how spectacularly rewarding high-tech ventures can prove.

There are non-financial trends at work as well. The computer industry is in a state of flux which allows new entrants easier access. Biotechnology is similarly transforming the pharmaceuticals and healthcare industries.

The time has never been better for the creation of new publicly quoted European high-technology companies. If enough of them succeed, European stock markets will not be the only gainers.

GP fundholding

GP fundholding is a cornerstone of Britain's National Health Service reforms, enabling family doctors to take responsibility for purchasing some of the hospital and community-care services required by their patients. More than half of Britain's "general practitioner" doctors (GPs) are now fundholders. Yet the reform remains contentious, heightening the importance of a report this week by the Audit Commission.

Two of the commission's conclusions have hit the headlines: that the direct cost of introducing fundholding has outweighed the direct efficiency savings (by an estimated £232m to £206m in England and Wales); and that "only the best-managed practices have had a major impact on services". Opponents of fundholding, notably the Labour party, have seized on these points to claim that fundholding is discredited and should be dismantled.

Such claims are not warranted by the report, so neither is the call for the abolition of fundholding. Instead, the report suggests ways of improving fundholders' performance, and implicitly questions the virtue of seeking to force most GPs into some form of fundholding arrangement.

It ought to come as no surprise that only a minority of fundholders have pioneered significant improvements in services. The purpose of the reform was to stimulate just such a minority, in the expectation that their best practice would be widely emulated. The report praises the pioneers, citing substantial benefits they have gained for their patients through, for instance, greater choice in purchasing and a stronger relationship with hospitals.

The challenges now facing the NHS are how to spread best practice, how to tackle weaknesses identified among the less effective fundholders, and what to do with non-fundholding GPs. Abolition of the more successful fundholders is not a credible response to any of these challenges. Critics who claim that fundholding has wasted public money must surely think twice before proposing more costly reforms.

Policy should focus instead on the less successful and those outside the system. In the short term the government must impose tighter curbs on practices with sloppy business plans and inadequate accounting. It must also make provision for better management and financial training for new fundholders, while giving health authorities the power to dismiss those who fail to meet minimum standards.

For those not desiring to be fundholders, or not up to the job, alternative arrangements should be considered under which GPs remain involved in commissioning hospital services. Labour supports a role for GPs in commissioning: it needs to be seen as complementary to, not a replacement for, full-blown fundholding.

Bewilderment turns to despair

Europe's leaders see John Major's threats over beef as a risky electoral ploy, say **Quentin Peel, Robert Peston** and **Caroline Southey**

Eighteen months ago, well *before anyone* dreamed of the current European crisis over mad cow disease, one of the most senior officials in the European Commission sat in his office in deep despair.

"It is like witchcraft," he said. "Whatever we do in the European Union is transformed into the object of a witch-hunt in Britain. I have never felt so depressed about the state of Britain's relations with its European partners."

This week, those relations reached a new low when Mr John Major, the UK prime minister, announced a formal policy of non co-operation on all EU decisions.

As far as Mr Major and his ministers are concerned, the purpose is clear. He had to show his recalcitrant backbenchers that he was capable of standing up to the meddlesome foreigners in Brussels.

Some ministers had for months been searching for just such an issue around which the party could unite. They were in buoyant mood yesterday, convinced they had found at least a partial solution to the Tory party's endemic divisions between pro-Europeans and Eurosceptics.

Mr Major insisted, however, that he was not playing narrow party politics. The strategy was constructive, he said, and was forced on him by the EU's failure to lift the ban on British exports of beef products: such humble substances as gelatine, bull semen and tallow.

Yet to many EU officials in Brussels, and in the capitals of the 14 other member states, it simply confirms what has already been a long-standing perception: that the British government has ceased to play a positive role in most aspects of European policymaking.

"We used to watch with amusement, then with bewilderment, and now with silent despair," says one of Chancellor Helmut Kohl's entourage in Bonn.

"This decision is troublesome, of course," a senior Brussels official said yesterday, "but the British are being very difficult on a lot of these things, anyway. It cannot make matters much worse."

The crisis over BSE (bovine spongiform encephalopathy) in British cattle, the admission by the UK government of a possible link to Creutzfeldt-Jakob disease (CJD) in humans, and the subsequent collapse of consumer confidence in beef throughout the EU, have simply brought to a head the hostility to Brussels which has long marked UK government policy.

The crisis has also re-emphasised how differently the EU is perceived on each side of the Channel.

British politicians, business people and bureaucrats have long tended to regard the EU as a tiresome consequence of a Common Market, to be suffered but not celebrated. Their continental counterparts see it rather as a vital institution guaranteeing the post-war preservation of peace in Europe, and an essential adjunct to national policy-making.

"The mistake the British made over beef was not to consult with Brussels from the outset," says a senior European ambassador in London. "But their failure to consult was symptomatic of their whole attitude to Europe."

That gulf in perceptions remains at the heart of the current deadlock. "It is seen from everywhere on the continent that we have to stress the measures being taken to get BSE out of the food chain," one of the Brussels negotiators says. "That is the only thing which will reassure consumers. The ban (on British beef exports) is seen as a subsidiary point. But in Britain, lifting the ban is seen as far more important than getting rid of BSE."

The truth is that both sides are aware of the gap, and yet seem unable to bridge it. "I have never known a situation in the union where there has been so little common ground between two sides in a dispute," says a British official who previously worked in Brussels for the UK government.

"We have been talking at cross purposes since the beginning. Every time we have arrived at a farm council to talk about one thing (lifting the ban), the other 14 member states have arrived expecting to talk about something else (eradication of BSE). It has been a disaster."

This gap in perceptions has been caused primarily by Britain's inability to understand the extent to which other EU countries have been affected by the crisis. Meat consumption has fallen dramatically in many other member states, with beef sales in Germany still 50 per cent down on levels recorded before the UK government's announcement.

"The British government seems to believe decisions are being made in Brussels out of malice. But there is no hidden agenda. EU governments are simply acting to protect their markets and to cope with the fears of their consumers. They are under enormous pressure," a Dutch diplomat says.

The gap has been widened further by the UK government's perceived reluctance to take drastic action to eradicate the disease. "EU countries feel instinctively that Britain should be doing more and that it is only interested in doing the bare minimum," says an EU official.

"More cattle have been slaughtered in the Netherlands than in Britain," according to another. "There have already been 150,000 cases of BSE in British cattle, so slaughtering 50,000 is neither here nor there."

Another sign of Britain's alienation from the other 14 member states has been the UK government's total lack of interest in establishing contact with other European capitals. Senior EU diplomats remain incredulous that the UK has done little to persuade other governments of the efficacy of its strategy to cope with BSE. Nor has it tried to find a common solution by linking up with other states.

Mr Major appears to have ignored advice issued weeks ago by Mr Jacques Santer, president of the Commission, and repeated again in a personal telephone call yesterday: that he should "start working on the capitals", according to a senior EU official.

"Instead of issuing public denunciations of the EU for domestic public consumption, why did the British government not go and see colleagues in other countries? It is very difficult to understand," says a senior Scandinavian diplomat. "They have acted as though they believe the whole of Europe is in the House of Commons."

The immediate aim of the British offensive is to prevent the EU making any decisions which require a unanimous vote. A senior member of the UK government says the obstruction will not simply apply to directives and legislation, but also statements and expressions of intent.

UK ministers were yesterday *requested by the prime minister's* office to examine all forthcoming EU business involving their departments and agree a strategy for undermining it. An attempt to coordinate the offensive will be made by a specially created ministerial committee chaired by Mr Major.

The overall purpose is not any longer merely to see the ban on beef derivative products lifted. Mr Major is also determined to see EU agreement on a "framework" for having the entire ban lifted.

"We do not expect to see the worldwide embargo lifted overnight", says a senior government member. "What we are insisting on however is that there should be a clearly set out process leading to that end."

Ministers are unsure how long this will all take, or what its eventual effect will be on the UK's relationship with the EU. A close friend of Mr Major says he believes the net effect will be to increase the UK's influence in the EU. "Our action is a necessary part of demonstrating that we are not going to be pushed around," he says. "It will strengthen us in the long term."

Continental politicians believe the opposite. Mr Karl Lamers, foreign policy spokesman for Chancellor Kohl's Christian Democratic Union, warned yesterday that it could be very counter-productive.

"It is a massive threat for a purpose which really cannot be described as a fundamental British interest," he said. "Of course it is a reflection of the internal party-political situation in Britain. But it is simply not serious for Britain to call into question its entire relationship with Europe on such an issue. It makes any solution more difficult because we will not allow ourselves to be blackmailed."

The British move has reinforced the belief in Bonn and Paris, and all the Benelux countries, that the future EU needs to incorporate a "flexibility clause" into its future treaty, which would in effect allow a dissident country like Britain to "opt out" of common policies.

As proposed by Chancellor Kohl and President Jacques Chirac of France, such a clause would allow a hard core of member states to press ahead with further integration – whether on a common currency, common defence, or indeed a common immigration policy – leaving the likes of Britain behind.

Such a move was proposed by Mr Major himself two years ago. Mr Stephen Dorrell, health secretary – among others in the Conservative party – rather hopes the present crisis will lead to a fundamental review of EU institutional structures, paving the way for a much looser "variable geometry".

The problem is that the UK government is now deeply divided about the wisdom of such a move. Some fear it could leave Britain out in the cold on a far wider range of EU decisions than it wants. There is concern that decisions could be made affecting UK interests without London being able to influence them.

It is not at all clear that Mr Major and his ministers have thought through the consequences of their actions beyond their first rhetorical flourish.

· OBSERVER ·

Talk little, do much less

■ *One European minister of* agriculture who didn't rush to ban the import of British beef and everything related to it is Henrik Dam Kristensen, the Danish minister.

Kristensen hails from Jutland, a region where it's said that the reliability of the people is in inverse proportion to the terseness of their speech. He was a postman in the village of Vorbasse before rising to political eminence, and he was regarded as something of a joke when he was appointed to his present position in the minority centre-left coalition government in 1993. The condescending smiles have, however, vanished. He has earned a reputation for unshakeable calm and unhurried competence, and is respected by farmers as well as political colleagues and adversaries.

He didn't jump onto April's ban-the-beef bandwagon, but waited until *he had heard* the verdict of the veterinary experts. This week he voted to lift the ban on exports of so-called beef derivatives.

Of course, there's more to it than the unflappable good sense of a sturdy Jutlander. It just so happens that Denmark's single biggest export to Britain is bacon and *pork products. No point in* causing unnecessary offence. If *there is an outbreak of some dire* disease in the piggeries, Denmark will count on a sympathetic hearing from Britain – and from what one hears around the Danish *capital, the Brits haven't been slow* to get the message.

Their stock rises

■ Talk about corrupting youth. A Miami high school has been teaching kids how to invest, with a course entitled "Material Wealth and the Stock Market" – only to find the youngsters beating the professionals at their own game. As part of an anti-drop out programme, the students each invested an imaginary $100 in the market at the start of January. By the middle of this month their portfolio had risen 33 per cent – rather healthier than the nine per cent rise in the Dow Jones average.

The favourite stock was Nike, chosen by 14 of the 97 participants, according to one "because a lot of people buy Nike". Another chose McDonald's "because it's worldwide and it's sponsoring the Olympics", while a third picked AT&T "because I like to make a lot of calls".

Now they have a new ambition *in life – to become stockbrokers,* rather than drug dealers, though being able to cut a deal fast is not the least common ground between the two professions. It has also *taught the kids a lot about life.* Says the winner, Tory Chester, *who "bought" Woolworth at $10* and saw it jump to $19: "It shows you how life is like the stock market: it goes up and down". A glittering career awaits him.

A puff of cream

■ From the country that brought you "Claude X" – the man who gatecrashed Elysée gatherings and was photographed alongside heads of state – comes another French-speaking answer to pomposity, George Le Gloupier.

George, who is actually Belgian, tries to humiliate the pretentious by throwing cream tarts into their faces. Past victims included the French media's favourite philosopher, Bernard Henri-Lévy. But George's cream has soured. His latest target was Daniel Toscan du Plantier, head of the Unifrance French film promotion organisation. During a scuffle he fell down some steps at the Cannes festival – and is now suing George.

Dump and rape

■ Readers recently invited to soothe AGF chairman Antoine Jeancourt-Galignani's ire over a *pair of linguistic excrescences – "le greenshoe"* and "le clawback" – responded with enthusiasm in the search for French translations of the technical terms.

What's a greenshoe anyway? It's an option granted by the issuer to *underwriters, giving them the* right to purchase additional shares at the offer price in cases where they have sold more shares than they were originally allotted. The *clawback, meanwhile,* is when allocations to institutional investors are scaled back to accommodate the requirements of small investors. With AGF in the throes of partial privatisation, both terms will have been offending Jeancourt-Galignani's sensibilities.

The winners – for ingenuity, and for skill at forming acronyms, so beloved of the financial markets – are Ian McLeod and Jean-Pierre Monnier in Paris, who submitted a joint entry.

The greenshoe, they suggest, can be described as the Déblocage Unilatérale sur Marché Prometteur, (DUMP) – roughly translated, a unilateral release on to a buoyant market. The clawback is then the Répartition Autrement que dans la Proposition Envisagée (RAPE) – (even more loosely) a different allocation from that envisaged in the proposal.

Down the wing

■ Gianni Rivera, the golden boy of Italian football turned politician, was mercilessly teased yesterday about his first government job. In his 60 appearances for Italy, he was a genius in attack; now he's been named a junior defence minister. *Oh well, attack is the best form of* defence...

The Financial Times

100 years ago

Electric Communication

M. Boucher, Minister of Posts and Telegraphs, after having previously arrived at an understanding with the British postal authorities in the matter, has just decided to establish four fresh telephone wires between Paris and London. This important step, which will tend to improve and develop telephonic communication between the two capitals, will be effected without cost to the *French Exchequer*, owing to the fact that the corporation of the Paris stockbrokers has undertaken to advance the sum of 650,000f, the cost of the aerial lines *in French territory*, and half the cost of the cable across the Channel, the corporation to recoup itself out of the receipts.

50 years ago

Swiss and Nazi Assets

The impasse which had ruled for so long between Switzerland and the Allied Powers, particularly the United States, over the question of the treatment of German assets in Switzerland seems to have been resolved at last. News from Washington states that agreement has been reached between the representatives of the Swiss Government and the Allies in respect of these Nazi holdings, and also in respect of the gold received by the Swiss from the Germans.

★
FINANCIAL TIMES
Thursday May 23 1996

German tax plan faces opposition from states

By Judy Dempsey in Bonn

Germany yesterday unveiled a package of tax proposals aimed at reducing the tax burden for individuals, boosting incentives for small businesses and easing their access to capital.

But the package by Mr Theo Waigel, the finance minister, is expected to face strong opposition from the Länder, or federal states, when he presents it to the Bundesrat, the upper house of parliament. The Bundesrat represents the states and is dominated by the opposition Social Democratic party (SPD).

The states, backed by the trade unions, are already resisting plans by Chancellor Helmut Kohl to push through social welfare and other cutbacks totalling DM70bn ($46bn) arguing they would next year lead to a DM29bn reduction in state revenues and DM11bn for the local authorities.

The states are gaining support from the public sector union which yesterday stepped up its strike action. It is demanding a 4.5 per cent pay claim for its 3.2m employees and calling for the government's radical savings programme to be scrapped.

Finance ministry officials say yesterday's tax proposals could lead to a further DM3.5bn loss in revenue for the states.

But Mr Waigel, speaking after a cabinet meeting which approved the tax measures, said he expected to introduce them in January.

The tax proposals include bringing forward a cut in the hated "solidarity" tax – currently a 7.5 per cent supplement to income tax introduced in 1993 to finance the economic reconstruction of eastern Germany.

Instead of a 2-point cut in mid-1997, it would be cut by 1 percentage point in January and a further point to 5.5 per cent in 1998, leaving the finance ministry with a loss of DM7.4bn in revenue over the period.

Finance ministry officials said this could be compensated by higher economic growth and the incentives arising from another element of Mr Waigel's tax measures: abolition of the Vermögensteuer. This is a 1 per cent tax on personal wealth paid to the Länder and which this year is estimated to bring in revenue totalling DM6.5bn.

The Länder are expected to oppose abolition of this tax unless they can be compensated by Mr Waigel's proposed changes to the inheritance or gift taxes which are also paid to them.

Under the current inheritance tax law, a surviving partner or spouse is entitled to inherit DM250,000 free of tax, with the next DM100,000 taxed at 5 per cent. The tax rate rises incrementally to 50 per cent.

Mr Waigel has proposed raising the tax threshold to DM1m, with the tax rate rising in DM100,000 bands, as before, up to a maximum tax rate of 25 per cent. Inheritance tax allowances for children would be increased from DM90,000 to DM750,000.

The states are this year expected to receive DM3.5bn from the inheritance tax. A finance ministry official said any loss in revenue next year arising from this proposal could lead to the Bundesrat blocking the whole tax package.

Japanese recruit 2,000 spies to monitor Asia crises

By William Dawkins in Tokyo

Japan is recruiting 2,000 spies from its military forces to bolster its ability to keep watch on potential flashpoints in east Asia.

The new spies will be based from the start of next year in a new intelligence headquarters on a central Tokyo site once used by the defunct Imperial Army, according to a plan adopted yesterday by the upper house of parliament, the final legislative stage.

The decision follows agreement between Mr Ryutaro Hashimoto, the prime minister, and US president Bill Clinton in Tokyo last month that Japan should play a more active part in Asian regional security, within the limits of its postwar pacifist constitution.

Since that summit, Mr Hashimoto has also revealed the government is considering acquiring Japan's first spy satellite.

If the new agency proves effective, it would mark a significant break with Japan's dependence, for most of the postwar years, on the US for the bulk of its intelligence information.

The move also highlights Tokyo's discreet progress towards a more independent foreign policy line.

Mr Hashimoto is a leading member of a new generation of politicians, also including Mr Ichiro Ozawa, leader of the opposition New Frontier party, which believes that Japan should shed some of its old inhibitions and take a slightly more assertive stance in international affairs.

The unit, simply named Intelligence Headquarters, will begin with a staff of 1,600 and an annual budget of Y6.5bn ($62m), according to the government's defence agency.

It will bring together the intelligence departments of the army, navy, air force, the defence agency and the agency's technology unit. These will account for just over a third of the initial staff, due eventually to increase to 2,000 intelligence officers, the agency said.

Their main source of official information will be material gathered by six electronic listening posts stationed across Japan. The focus will be on regional crises in east Asia.

In recent years, Japanese intelligence has often appeared poorly informed. The authorities failed to detect Russian dumping of low level nuclear waste off the north-east coast of Japan two years ago until alerted by the local branch of Greenpeace, the environmental lobby.

They also had to be told by the US the same year of a North Korean test of a Rodong missile in the Sea of Japan. The 1,000km range missile was said by Japanese defence officials at the time to be capable of reaching Tokyo.

New Italian PM vows to fight inflation in reform package

By Robert Graham in Rome

Mr Romano Prodi, Italy's new prime minister, yesterday pledged to fight inflation and cut the budget deficit to enable the country to take part in European Monetary Union in 1999.

Presenting the centre-left government's programme in an hour-long speech without a hint of rhetoric, Mr Prodi warned that Italians would have to make sacrifices to reform the state and put the country's finances in order.

But the 56-year-old economics professor from Bologna balanced this by saying that Italy had an historic opportunity to enter a virtuous economic cycle if his government's measures were successful.

He also committed Italy to rejoining the European exchange rate mechanism as soon as possible – though he gave no date.

Apart from Europe, Mr Prodi set out two other priorities: reform of the state with greater emphasis on devolution of power to the regions; and improving the quality of education.

Buoyed by sentiment in the financial market that has welcomed his Olive Tree coalition's victory in the April general elections, Mr Prodi said he believed Italy's interest rates could fall by 2-3 percentage points in the coming months.

Italian rates, he reminded parliament, were currently 5.25 percentage points above those in Germany.

Mr Prodi, who agreed to forge the centre-left Olive Tree alliance last year with no previous experience of political office, was careful to address the concerns of all his allies in the coalition.

He went out of his way to placate members of Reconstructed Communism (RC), formed from the hard-core of the old Communist party, who have criticised him in the wake of the election for paying them too little attention.

He said that their concerns to improve wages and fight for the interests of the less favoured members of society deserved to be taken seriously.

However, Mr Prodi insisted that the Olive Tree's electoral programme would be respected.

RC refused to endorse this programme and is only agreeing to back the government in parliament – its members being essential to guarantee a majority in the chamber of deputies.

The premier, sworn in last Saturday, gave no details of next year's budget or an impending correction to the 1996 budget.

Mr Prodi said he would attack inflation, currently at 4.2 per cent, and hinted he might have to raise taxes to bring down the budget deficit to the target of 3 per cent of GDP – a requirement for monetary union.

He warned of spending cuts and of holding ministerial budgets to their 1996 levels, but said he would first seek to cut fat from general expenditure before looking at welfare spending.

Editorial Comment, Page 15
See Lex

THE LEX COLUMN

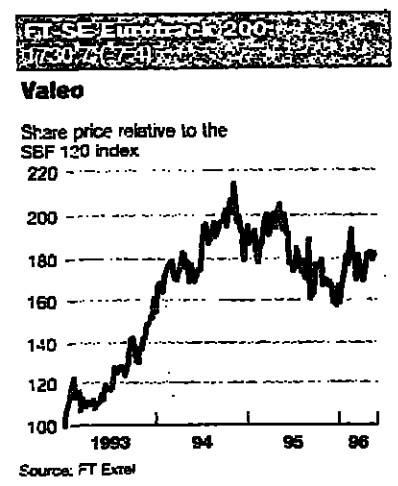
No added Valeo

The sale of Mr Carlo De Benedetti's 28 per cent stake in Valeo, the French car parts manufacturer, may sound a straightforward enough operation. Not so, however, in France, where the border between politics and business once again looks fuzzy. This may explain why Framatome, the government-controlled nuclear reactor maker, has expressed interest in the Valeo stake, despite the fact that there is no obvious fit between the two businesses.

Both the French government and car manufacturers are unsettled by the prospect of a foreign takeover of Valeo. Given their close relationship with components makers, it is easy to see why the likes of Peugeot do not want to see them fall into the hands of its competitors. But a shift in the ownership of the business to an independent US company such as TRW would not necessarily constitute a threat to Europe's car makers. The components business is becoming increasingly global – indeed, car manufacturers have themselves been urging consolidation – and there is no reason why a nominal national identity should hamper vigorous competition. However, Peugeot's threat to withdraw business in the event of a US takeover is surely likely to deter bidders.

Still, Framatome seems an unlikely white knight. Although it claims its interest is strategic – it has already diversified into connectors – there is a lurking suspicion that the motivation is political. Framatome is partly owned by Alcatel Alsthom, which is keen to buy Thomson from the government – and perhaps hopes that a helping hand over Valeo might be rewarded by favourable treatment over Thomson.

FT-SE Eurotrack 200: 1730.7 (-7.4)



Source: FT Extel

Italy

Mr Romano Prodi, Italy's new prime minister, is proving adept at telling the financial markets what they want to hear. And given a cabinet stacked with economists and former finance ministers, he is well placed to gauge both investors, and more importantly the Bank of Italy, which controls interest rate policy. His message of stable taxes, accelerated privatisation and a hardline approach to inflation is hardly original. But at least Mr Prodi is admitting that Italy needs to get its books in order before making a move towards his holy grail of monetary union.

Italian governments have promised much in the past, but Mr Prodi appears to offer a greater chance of delivering. While he does not control a majority in the parliament, his push to give more power to the regions looks intended as an olive branch to the secessionist Northern League, which would make a powerful ally.

The markets have reacted with enthusiasm to the evidence of a fiscally responsible government, and there is a risk of getting carried away. Mr Prodi has yet to reveal detailed proposals for achieving his economic goals. Meanwhile, the latest inflation figures are ahead of the 4 per cent level deemed by the Bank of Italy to be a barrier to interest rate cuts. Nonetheless, so long as Mr Prodi can offer a credible programme for curbing inflation, there is every reason to expect cuts of up to 2 percentage points by the end of the year.

Allders/BAA/Swissair

Allders shareholders must be pretty bemused. Why is their board planning to recommend a £130m bid from BAA for Allders' duty-free arm, when Swissair appears eager to snap it up for £145m? The answer, it seems, is that BAA had painted Allders into a corner: by the time BAA delivered its offer, Allders had failed to extract a binding counter-offer from Swissair. And because of the unusual strength of its position, BAA had Allders over a barrel. Not only could BAA walk away, but it also held a trump card: the ability to terminate Allders' rights to run BAA's duty-free operations. This was always likely to turn the playing-field in BAA's favour, though Allders' footwork could have been nimbler. Even so, all is not yet lost: Swissair could well still bid more, in which case shareholders will presumably vote BAA's proposal down – and no harm will have been done, except to the credibility of Allders' board.

The real question is why BAA and Swissair are squabbling over such a fragile business in the first place. Certainly, there are healthy profits to be made from duty-free retailing. But mostly they can be siphoned off by airport operators – for 75 per cent of Allders' business this means an operator other than BAA – which can play different retailers off against one another. As a result, retailers' earnings are constantly at risk – even ignoring the real threat posed from 1999 by European legislation.

Even if BAA is not offering an extravagant price, its shareholders should be asking whether this kind of diversification really makes sense. If Swissair bids more for what will be a less profitable business, its own shareholders should be tougher still.

Executive remuneration

British executive remuneration schemes are still far from appropriate. HSBC's long-term incentive plan – under which executives will receive shares if the banking group's earnings per share rise by more than 2 per cent a year in real terms – is a case in point. The most worrying aspect is its "all or nothing" element, as executives have little incentive to increase eps by more than 2 per cent real. The choice of eps as the performance yardstick is also questionable: not only can eps be manipulated; it is easy to boost eps while destroying the quality of earnings, which does shareholders no favour.

While no remuneration scheme is perfect, boards should bear several principles in mind. First, high rewards – even in excess of £1m a year – are acceptable in return for top performance; but consistently poor performers should be sacked. Second, a sliding scale should be used rather than "all or nothing" rewards. Third, to keep top executives hungry, their basic pay should be much lower – perhaps around £100,000 a year.

The trickiest question is how to measure performance, given that eps is flawed. Total return – the combination of dividend and share price performance – is the yardstick that aligns executives' interests most closely with those of shareholders. Clearly, any company needs to be judged against the total return achieved by a suitable group of peers. Still, given that share prices often lose touch with fundamental performance, other yardsticks should also be used. The most promising is the return on investment a company achieves – though that too requires careful measurement.

Additional Lex comment on Bass, Page 24

Daimler chief

Continued from Page 1

speech he referred to "concepts and ideas" not "visions", a word preferred by Mr Reuter and which now induces sniggers across corporate Germany.

For the first time several German banks had written to shareholders asking them to decide how the banks should vote with the shares they hold on deposit for thousands of shareholders.

Toys R Us accused

Continued from Page 1

Baer, director of the FTC's bureau of competition, "by 1994, most of the major US toy manufacturers stopped selling popular individual toys carried by Toys R Us to the warehouse clubs".

In a statement anticipating the FTC's complaint, Toys R Us said on Tuesday it spent millions of dollars promoting toys throughout the year. "The warehouse clubs then come during the six weeks before Christmas, without making any such investment, and select the few hottest selling items, selling them at or below cost to create customer traffic.

"Given that behaviour, and Toys R Us's contribution to the industry, we have told manufacturers that we reserve our unquestionable right to refuse to carry the same items as warehouse clubs."

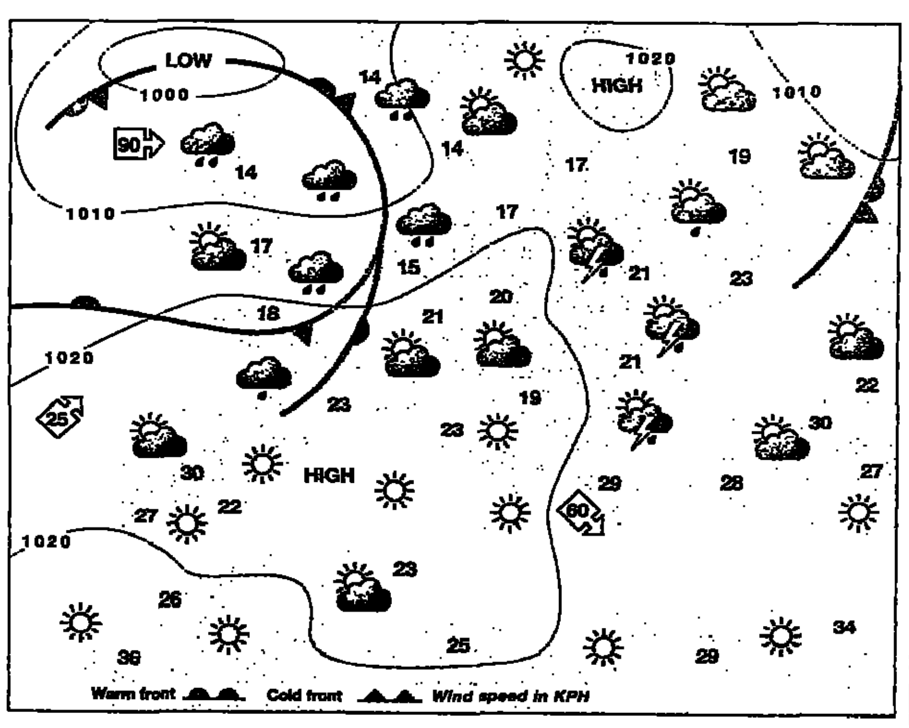
FT WEATHER GUIDE

Europe today

Strong westerlies will direct moist, unstable air towards the British Isles. There will be a mixture of sun and cloud with showers in western and northern Scotland. Light rain will cross southern Ireland and southern England in the afternoon. Rain is expected in northern France, southern Belgium and Germany. High pressure will bring dry and generally sunny conditions to Portugal, Spain, southern France, Italy and Greece. Near gales are expected along the western coast of Greece. Showers and thunder storms will erupt over the eastern Balkans. Some of the thunder storms may be severe, especially in northern Greece and eastern Bulgaria. Turkey will be generally dry and sunny.

Five-day forecast

Plenty of rain is expected in the British Isles tomorrow. It will spread east across central Europe on Saturday. Southern Scandinavia will be cool and wet. Spain and Portugal will stay sunny. Italy and Greece will remain warm and generally sunny with thunder storms over the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

City	Weather	Maximum Celsius
Abu Dhabi	sun	41
Accra	cloudy	31
Algiers	fair	23
Amsterdam	fair	16
Athens	sun	28
Atlanta	sun	33
B. Aires	sun	18
B.ham	fair	16
Bangkok	shower	35
Barcelona	sun	21
Beijing	fair	30
Belfast	cloudy	15
Belgrade	sun	19
Berlin	rain	17
Bermuda	cloudy	22
Bogota	cloudy	19
Bombay	sun	33
Brussels	cloudy	17
Budapest	fair	19
C.hagen	rain	13
Cairo	sun	34
Cape Town	shower	17
Caracas	cloudy	31
Cardiff	shower	15
Casablanca	sun	25
Chicago	cloudy	22
Cologne	rain	18
Dakar	sun	26
Dallas	sun	34
Delhi	fair	39
Dubai	sun	39
Dublin	shower	15
Dubrovnik	sun	23
Edinburgh	fair	15
Faro	sun	25
Frankfurt	rain	20
Geneva	shower	24
Gibraltar	sun	21
Glasgow	shower	14
Hamburg	rain	15
Helsinki	sun	17
Hong Kong	fair	30
Honolulu	fair	31
Istanbul	sun	25
Jakarta	cloudy	32
Jersey	drzzl	14
Karachi	fair	34
Kuwait	sun	40
L. Angeles	sun	20
Las Palmas	fair	25
Lima	cloudy	20
Lisbon	sun	27
London	fair	18
Lux.bourg	rain	15
Lyon	cloudy	24
Madeira	fair	21
Madrid	sun	30
Majorca	sun	24
Malta	fair	22
Manchester	fair	14
Manila	cloudy	34
Melbourne	shower	16
Mexico City	fair	24
Miami	rain	31
Milan	sun	22
Montreal	cloudy	16
Moscow	sun	12
Munich	rain	21
Nairobi	cloudy	23
Naples	sun	24
Nassau	rain	30
New York	fair	29
Nice	sun	22
Nicosia	sun	34
Oslo	cloudy	16
Paris	drzzl	20
Perth	fair	23
Prague	cloudy	19
Rangoon	rain	33
Reykjavik	fair	11
Rio	cloudy	25
Rome	sun	23
S. Frsco	fair	18
Seoul	fair	26
Singapore	cloudy	32
Stockholm	cloudy	17
Strasbourg	drzzl	21
Sydney	fair	19
Tangier	sun	26
Tel Aviv	sun	31
Tokyo	fair	25
Toronto	cloudy	17
Vancouver	cloudy	16
Venice	fair	22
Vienna	fair	20
Warsaw	cloudy	17
Washington	sun	32
Wellington	cloudy	13
Winnipeg	fair	14
Zurich	shower	20

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday May 23 1996

INSIDE

Iberdrola in plan for 50% debt cut

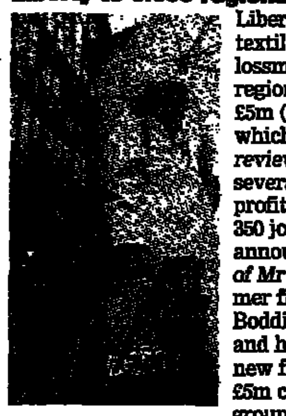
Debts of more than $11bn at Iberdrola, the Spanish private-sector electrical utility, are set to halve in the next three years, according to the company. Page 18

Nedlloyd records Fl 15m loss in quarter
Nedlloyd, the Dutch shipping and transport group, reported a first-quarter net loss of Fl 15m ($8.7m), down from Fl 77m profit after extraordinary items a year earlier. Page 19

Victor resumes dividend after four years
Victor, the Japanese audio maker, posted a sharp recovery in earnings and said it would resume dividend payments for the first time in four years. Page 20

Computer Associates beats forecasts
Computer Associates, the US software group, reported a higher than expected 25 per cent rise in earnings to $265.1m for its fourth fiscal quarter, as sales of its client-server software programs jumped 60 per cent. Page 22

Liberty to close regional store chain



Liberty, the UK retail and textiles group, is closing its lossmaking chain of 20 regional stores at a cost of £5m ($7.6m). The decision, which followed a strategy review aimed at redressing several years of declining profits, will mean the loss of 350 jobs. The group also announced the appointment of Mr Andrew Garety, former finance director of The Boddington Group, the pubs and hotels company, as its new finance director. The £5m charge means the group, which had warned that annual profits before exceptionals would not exceed £2.1m, will record a substantial loss when it reports on June 7. Page 24

Kingfisher reinforces retail optimism
Kingfisher provided further evidence that confidence is returning to the UK high street as the UK retail group announced a stronger than expected 6.4 per cent rise in first quarter like-for-like sales. Page 24

Angola prepares for diamond assault
Until last July, some 4,000 *garimpeiros* (illegal diggers) worked the river valley at Catoca in Angola for diamonds. Today they have been pushed out and bigger plans are afoot: Catoca is about to host the first significant attempt in Angola to mine kimberlite, the volcanic pipes where diamonds originate. Page 25

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Gerresheimer	327	+	5
Hochtief	647	+	8
Porsche	870	+	22
Falls			
Degussa	244	-	4
Kaufhalle	595	-	9
Sud Chemie	540	-	10
NEW YORK ($)			
Rises			
Excel Comms	38¾	+	2¼
Rohr	19⅝	+	1¾
[illegible]	24⅞	+	9¼
TMP Sola	34	+	2
Falls			
Franklin Quest	22¾	-	4⅞
[illegible]	30¼	-	4½
LONDON (Pence)			
Rises			
[illegible]	55	+	6
[illegible]	77	+	5
Falls			
Brit Biotech	3065	-	250
[illegible]	1774	-	6
Scotia	730	-	35
[illegible]	134	-	38
TORONTO (C$)			
Rises			
[illegible]	15.25	+	1.25
Falls			
[illegible]	19.00	-	1.00
Dreco Energy	37.00	-	2.00
Petromet Tech	41.00	-	4.00
[illegible]	7.10	-	1.45
Ventus Energy	15.50	-	1.00
PARIS (FFr)			
Rises			
Geophysique	335	+	9
UFB Local	320	+	20
Falls			
Air Liquide	923	-	20
Legrand	914	-	11
Legris	253	-	8
Synthelabo	425	-	12
TOKYO (Yen)			
Rises			
Honda	2590	+	100
Falls			
Asahi Optical	584	-	13
[illegible]	655	-	25
Fuji Spinning	529	-	19
[illegible]	780	-	18
Tsugami	586	-	12
HONG KONG (HK$)			
Rises			
[illegible]	1.69	+	0.16
Johnson El	16.80	+	0.60
Falls			
China Apollo	1.53	-	0.57
Int Bk of Asia	4.75	-	0.175
Lucky Man	2.75	-	0.20
Orient Tel	3.575	-	0.20
BANGKOK (Baht)			
Rises			
Imperial Hotel	24.75	+	2.25
S K Garment	36.75	+	3.25
Thai Rubber	28.75	+	2.50
Tuntex	34.25	+	3.00
Falls			
Dhana Siam	143.0	-	12.0
Regional Cont	284.0	-	28.0

New York & Toronto prices at 12.30

Landi takes step up at Apple

By Paul Taylor in London and Louise Kehoe in San Francisco

Mr Marco Landi, president of Apple Computer's European, Middle East and African operations, has been named chief operating officer of the troubled personal computer pioneer which last week unveiled a wide-ranging restructuring programme.

In his new role Mr Landi, who joined Apple in March last year after 25 years with Texas Instruments, will be responsible for implementing Apple's new strategy outlined last week by Mr Gil Amelio, who took over as chairman and chief executive of the lossmaking company three months ago.

"We are now confident that we have a clear vision, we have a leader who has set out a clear strategy. My role is to make sure we have the right organisation to implement that strategy," said Mr Landi.

Last week, Mr Amelio announced that Apple would streamline its Macintosh product line and become "an internet-centric company". The Internet is a major discontinuity that affects every aspect of the PC business, Mr Landi said. "For Apple the battle against Windows and OS/2 (PC operating systems from Microsoft and IBM) is over. The Internet is now the platform and we must make sure that we capitalise upon it."

Apple plans to launch a new range of "digital appliances" that will provide Internet access and other personal computing functions in a unit that can be plugged into a TV set. These products would address the untapped market of consumers who do not currently use home computers, Mr Landi said.

In his new role, Mr Landi said he would focus on three areas: building business processes, channel management and the creation of the right products for Apple's three market segments, home, education and enterprise.

Mr Landi is credited with successfully restructuring Apple's European operations over the past 15 months and reducing costs. He acknowledged that Apple's overall market share in Europe had fallen sharply in the first quarter, but said this mostly reflected problems in one segment of the company's business, rather than an overall slump in sales.

Mr Landi's appointment is the first of several senior management jobs that Mr Amelio aims to fill over the next few weeks. Last week he said that he planned to draw both from within Apple and from outside the company in putting together a new management team.

Nintendo sales slide in tough market

By Michiyo Nakamoto in Tokyo

Intense competition in the video games market continues to batter Nintendo, Japan's predominant manufacturer of the games. Yesterday it unveiled its third consecutive set of annual financial results showing falling sales and operating profits, and warned that the current year would be no better.

In the year to March 1996, consolidated sales slid 15 per cent to Y354.2bn ($3.32bn) from Y415.7bn a year earlier, and operating profits declined 24 per cent from Y94.9bn to Y71.9bn. The poor performance was broadly in line with expectations.

Pre-tax profits, however, were boosted by a foreign exchange gain of Y31.5bn because of the yen's weakness in the latter part of the year, and rose 61 per cent to Y118.3bn from Y73.4bn.

Weak sales, inadequate supply of some popular products and the defection of a software house were among the difficulties faced by Nintendo in the past year. In addition, Nintendo was left floundering without a successful competitor to the advanced 32-bit games machines launched by rivals Sega and Sony. Nintendo also failed to supply sufficient software for its 16-bit machines during the crucial Christmas shopping period because of difficulties in securing parts necessary for software cartridges.

But particularly damaging has been the number of independent software developers signing up with competitors. For example, Square, which had produced popular software exclusively for Nintendo, moved to Sony.

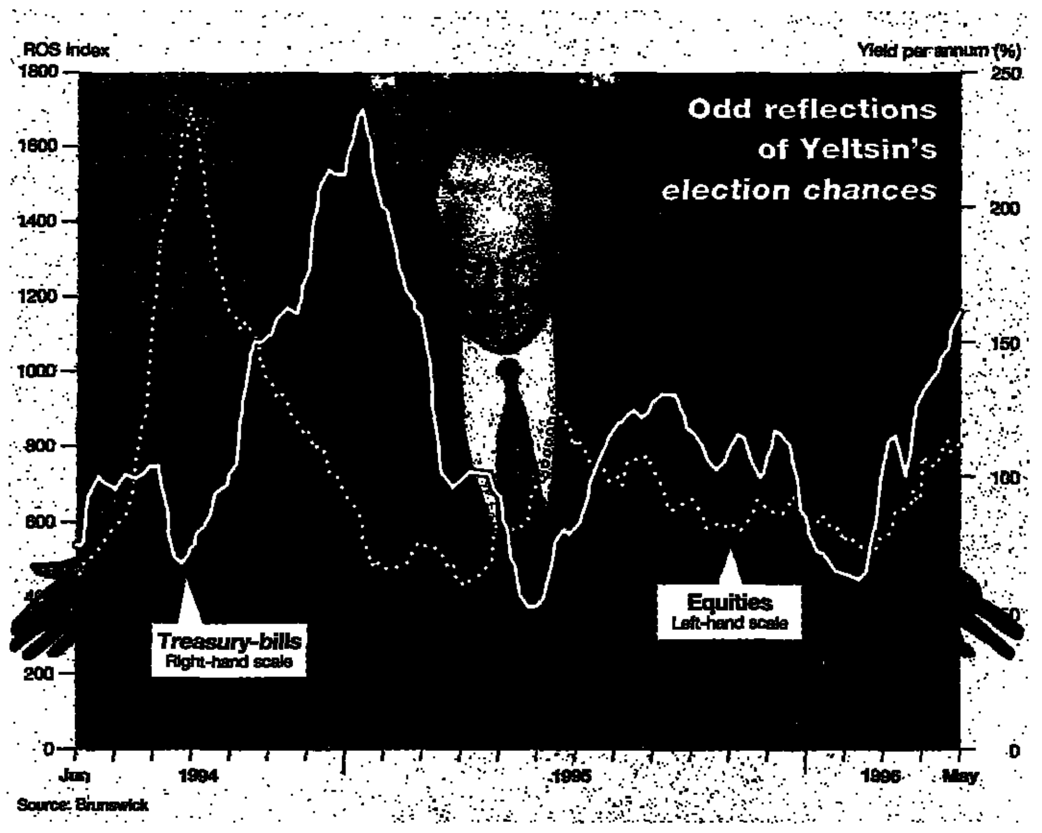
Nintendo faces a battle this year as it attempts to recover lost ground with the launch of its 64-bit games machine. It will also launch a 64-bit version of its popular Mario Brothers series, which has sold 11m units since 1990. "It all depends on how word-of-mouth is in the first week of sales and how good the Mario software is," said Mr Reinier Dobbelmann, industry analyst at SBC Warburg in Tokyo.

Mr Dobbelmann believes that although Nintendo has lost the exclusive partnership of a highly rated software developer, it has its own in-house software strength and could recover strongly.

In the current year, the company is forecasting a fall in recurring profits, before extraordinary items and tax to Y85bn, and in net profits to Y48bn on slightly higher sales of Y385bn.

Russia's capital markets: the hall of mirrors

John Thornhill on the country's strange debt-equities balance



Capital markets can often act as mirrors reflecting the main features of a country's underlying economy. But in Russia's case they are showing something decidedly odd. Either, it seems, the economy is grossly misshapen, or the mirrors themselves must have been borrowed from the Moscow State Circus.

Perhaps it is too much to assume rational expectations will prevail in a country which will next month hold its first real democratic elections for executive power in 1,000 years. The wild political rumours and alarms, which fly so freely around Moscow, are bound to jangle even the most hardened investor's nerves.

But it still seems bizarre that Russia's fledgling, if fast-developing, stock market has surged by 55 per cent from its low in March at the same time as the yields in the government debt market have soared to among the highest levels in the world.

Annualised yields on three-month Treasury-bills (GKOs) now hover around 130 per cent at a time when the economy finally appears to have turned the corner, the rouble is trading within a stable band and the monthly inflation rate has fallen to less than 2 per cent.

Part of the reason for the wildly diverging trends in the two markets reflects differences in the political perceptions surrounding the presidential election on June 16.

Investors in the equity market have been attracted by the possible upside of a victory by President Boris Yeltsin in the June 16 poll and the continuation of economic reform.

Those in the debt market, however, seem more fixated by the downside that would follow the election of the chief challenger, Mr Gennady Zyuganov, and the return of the Communist Party to power. Seemingly, the only explanation for such high GKO yields is that investors fear default.

Ms Beth Hebert, a Moscow-based fund manager who runs the $55m Fleming Russian Securities Fund, argues the contrasting performance of the two markets reflects the different risk profiles of the investors involved.

"Investors in the equity market and investors in the GKO market represent two very different pools of capital," she says. "The equity market is driven by foreign investors while the GKO market is dominated by Russian banks."

Foreign equity market investors have lately been cheered by a series of opinion polls showing a strong rise in support for Mr Yeltsin and are prepared to bet a small slice of their portfolios on the outcome.

If the president is re-elected and the present political uncertainty resolved, these investors believe that most of the elements for a spectacular long-term equity boom will have fallen into place.

Russia's vast privatisation programme has already transferred thousands of asset-rich capital-hungry companies to the private sector, while their valuations still appear absurdly low.

The market value of Russia's top 200 companies, which include several oil companies with similar oil reserves to Exxon, still languishes at about $22bn – or less than the value of the SmithKline Beecham pharmaceuticals group.

Many investors active in emerging markets appear to have been won over to Russia's potential attractions. A survey of 174 US and European emerging market fund managers, conducted by Russia's Federal Securities Commission in February, found that 42 per cent were interested in buying Russian securities within the next six months. It has also become a lot easier to do so after some Russian companies, such as Lukoil, the large oil concern, successfully issued proxy shares in New York. Mainstream western fund managers can now buy American Depositary Receipts (ADRs), backed by Lukoil shares, in New York without worrying so much about the custodial risks of dealing in Moscow.

But the barely suppressed euphoria that surrounds the equity market sharply contrasts with the bleaker picture being painted in the government debt market – which is still mainly closed to foreigners.

Founded in 1993, the GKO market has developed astonishingly quickly and is now used by the government to fund more than 40 per cent of its budget deficit. But it has come under great strain this year as the government has aggressively tried to raise additional funds to finance Mr Yeltsin's lavish pre-election spending spree.

Russia's commercial banks are demanding an astronomic risk premium to lend the government money. Despite the potential returns, many of them seem more tempted to "park" their money off-shore until the political risks are resolved.

Alliance-Menatep, a Russian investment bank, estimates that GKO yields, based on economic fundamentals, should only be about 50 per cent in "normal" political conditions.

"If Yeltsin were re-elected money would come flooding back into Russia and I would expect GKO yields to fall dramatically," says Mr Tom Reed, fixed income analyst at Alliance-Menatep.

It is little wonder, then, that Russia's banks are lining up so squarely behind Mr Yeltsin's re-election bid.

Framatome emerges as potential Valeo buyer

By David Owen in Paris

Framatome, the French nuclear plant group, has emerged as a possible buyer of a strategic stake in Valeo, the automotive components company.

Framatome said it had been thinking about making a "major diversification" and was interested in examining information on Valeo, the world's 17th-largest vehicle components company.

Mr Carlo De Benedetti, the Italian industrialist, owns 27.7 per cent of Valeo through Cerus, his French holding company. Cerus last month confirmed it was prepared to sell this stake at the right price.

Yesterday's developments came 10 days after Mr Jacques Calvet, head of the Peugeot-Citroën vehicle group, hardened his threat not to renew contracts with French company Valeo if it fell into foreign hands. Mr Calvet said his views were shared by Mr Louis Schweitzer, chairman of Renault, and Mr Ferdinand Piëch, head of Germany's Volkswagen. The three companies account for more than 40 per cent of Valeo's sales.

His comments followed reports that two US companies – Delphi, the components arm of General Motors, and TRW, the aerospace and components group – were interested in Valeo. Neither would confirm it was in negotiations with Mr De Benedetti.

Cerus shares climbed FFr2.90, or 3 per cent, in Paris yesterday, closing at FFr100.90. Valeo gained FFr1.30 to close at FFr286. At this level, Cerus's stake in Valeo is valued at FFr5.55bn ($1.07bn). Observers believe Cerus could be tempted to sell for about FFr7bn. This would be within range for Framatome, which yesterday put its liquid assets at between FFr7bn and FFr8bn.

The company already has ties with the automotive industry through its connector business, which accounts for about a quarter of group sales. These reached FFr20bn in 1994. Valeo's turnover in the four months to April 1996 was FFr9.97bn, up 17.3 per cent on the same period last year. In 1995, net income was FFr1.01bn on sales of FFr25.23bn.

Lex, Page 16

Spain signals intention to block Azucarera stake sale

By Tom Burns in Madrid

Spain's new centre-right government has served notice it will block the sale of equity in General Azucarera, the second largest domestic sugar producer, to Générale Sucrière of France. The move mirrors the previous Socialist government's stance.

Ms Loyola de Palacio of the ruling Popular Party, who was sworn in as agriculture minister two weeks ago, said yesterday she was "radically" opposed to an equity purchase by the French company because it threatened a "strategic sector".

Ms de Palacio's stance recalls the one taken by her Socialist predecessor, Mr Luis Atienza. It is likely to give an unexpectedly negative signal to foreign investors as it appears to undermine the pro-business image cultivated by the incoming administration.

"If Azucarera is the litmus test of the new government's approach to private sector companies operating in the free market, then we will have to rethink our view of how the new government intends to behave," said a senior Madrid analyst.

Ms de Palacio's remarks will come as blow both to Banco Central Hispano, which is seeking to cut its 49 per cent stake in Azucarera, and to the board of Azucarera, which had identified Générale Sucrière as the ideal buyer. The French company controls 20 per cent of the Spanish producer through a stake syndicated to shares in Azucarera owned by Tate & Lyle of the UK.

Two years ago Mr Atienza forced BCH to drop the sale of 20 per cent of its Azucarera equity to Générale Sucrière for Pta20bn ($157m).

Ms de Palacio said she would do everything in her power "to ensure that Azucarera remains in Spanish hands ... sugar is a strategic national interest."

Two months ago BCH said it was close to an agreement whereby Générale Sucrière and Acor, a domestic sugar beet co-operative, would jointly control Azucarera with 25 per cent of the equity each. This deal would have increased the French company's stake in Azucarera, but it is now likely to be shelved.

Iberdrola in plan to halve debt

By David White in Madrid

Debts amounting to more than $11bn at the Spanish private-sector electrical utility Iberdrola are set to be halved in the next three years, according to plans by the company.

The largest reduction is due in July this year when debts of Pta539bn ($4.2bn) are wiped off the balance sheet under a government-backed plan for converting loans linked to halted nuclear plants into securities.

In addition, Mr Iñigo de Oriol, chairman, said the company aimed to trim its debt burden by between Pta70bn and Pta80bn a year.

Iberdrola, the second-largest group in the sector in Spain after the state-controlled Endesa and the largest producer of hydroelectric power, had total debts of Pta1,461bn at the end of the first quarter.

This was Pta12bn less than at the end of last year and Pta340bn below the peak of more than Pta1,800bn at the end of 1993.

A sharp fall in net financial costs from Pta123bn to Pta94bn last year helped the group to achieve an increase of more than 22 per cent in its attributable net earnings to Pta85bn. Of the outstanding bonds and bank loans at the end of the year, 28 per cent was in foreign currencies.

Iberdrola was the main company affected by a freeze on new nuclear power plants imposed by the government 12 years ago under a reappraisal of Spain's energy needs. It has carried the bulk of a total of Pta729bn of debts accumulated in relation to the mothballed reactors.

Under the nuclear moratorium scheme, a surcharge of 3.54 per cent on electricity rates has been allocated to covering the cost to companies involved in the five reactors, which were are varying stages of construction.

Last month Iberdrola and three other electrical companies signed up to a plan for converting Pta715bn of debt into variable-interest securities through an international bond issue and two bank credits.

The scheme, which will enable the companies to recover funds for repaying their nuclear debts on July 4, implies a reduction of more than 20 per cent overall in the Spanish electrical sector's debt burden, currently standing at about Pta3,300bn.

The operation, which carries government guarantees, is underwritten by a group of six banks led by Banco Bilbao Vizcaya, which is the biggest shareholder in Iberdrola with a 10.7 per cent stake.

At the same time as reducing its debt, Iberdrola aims to strengthen its own resources (capital and reserves) by Pta25bn to Pta30bn a year. It forecasts a debt-equity ratio dropping from 1.5 last year to 0.8 this year and 0.6 in 1998.

Mr Javier Herrero, managing director, said the company aimed at a "prudent" rise in dividend payments, adding that the rate of increase would be "always below the growth of the business". It has proposed a Pta65 dividend for 1995, an increase of 6 per cent.

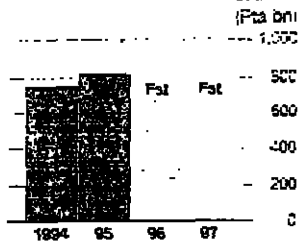
PROFILE:

IBERDROLA

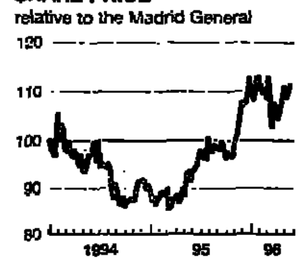
Market value: $9.95bn Main listing: Madrid

Historic P/E	15.5
Gross yield	5.2%
Earnings per share	Pta 92
Current share price	Pta 1,285

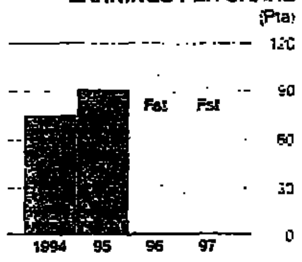
SALES (Pta bn)



SHARE PRICE relative to the Madrid General



EARNINGS PER SHARE (Pta)



Source: FT Extel, Datastream, ABN Amro

Daimler warns of further restructuring despite upturn

By Michael Lindemann in Stuttgart

Daimler-Benz, Europe's largest industrial conglomerate which reported record 1995 net losses of DM5.7bn ($3.7bn), yesterday said sales in the four months to April had risen 9 per cent to DM32.1bn, but warned that "further, perhaps drastic measures" would be needed to recover the profitability of past years.

Addressing about 10,000 shareholders, some 40 of whom made angry interventions because the dividend had been cancelled for the first time in the company's history, Mr Jurgen Schrempp, chairman, said he expected sales for the full year to be "significantly higher" than 1995 sales of DM97.4bn.

He declined to specify what decisions would be needed to round off the restructuring begun with the disposal of Fokker, the closure of AEG and the planned sale of Dornier, the maker of turboprop regional aircraft.

Mr Schrempp indicated, however, that businesses at Debis, the leasing, software and telecoms division, may well be expanded through new ventures. He also declined to give details about whether Daimler-Benz would exercise an option to take full control of Adtranz, the railway equipment joint venture which it founded with Asea Brown Boveri, the Swiss-Swedish engineering group. Both groups hold 50 per cent in Adtranz.

Mr Manfred Gentz, finance director, said the group had no plans for a rights issue but was considering the issue of convertible bonds or bonds with warrants in coming months.

Mercedes-Benz, the car and truck division, raised sales by 8 per cent to DM24.7bn, despite what it called a "very weak economic environment". Sales at the passenger car division were driven by strong demand for the new E-model, which registered 93,700 sales during the period under review, a rise of 53 per cent.

Commercial vehicle sales rose 4 per cent to DM10.2bn, but Mr Schrempp warned that new orders already indicated that such sales growth could not be maintained.

Dasa, the aerospace division which booked the bulk of last year's losses, saw sales rise 7 per cent to DM2.9bn, helped mainly by a strong performance at Airbus Industrie, the European aircraft consortium in which Dasa holds a 37.9 per cent stake. Airbus booked 132 orders in the four months to April, more than it booked in the whole of last year.

Turnover at Debis rose 17 per cent to DM4.1bn with the mobile phone services unit reporting a 70 per cent sales increase.

The three businesses left over from what was once AEG, the electronics and transportation division which was wound up last year, increased sales 23 per cent to DM2.2bn.

● Mr Heinz Dürr, Deutsche Bahn chairman, said the group achieved sales of DM7.3bn ($5.06bn) in the four months to April, up 4.7 per cent from the year earlier, with long-distance traffic rising 9 per cent and local traffic up 5.3 per cent. AFX News reports from Frankfurt.

Mr Dürr said revenue from long distance traffic amounted to DM1.6bn, while local traffic revenue totalled DM3.8bn. In contrast, revenue from goods traffic fell 3 per cent to DM2.3bn.

NEWS DIGEST

CCF to revamp board at subsidiary

The new chairman of Crédit Foncier de France, the troubled property lender, yesterday pledged sweeping board changes at one of its subsidiaries during an annual general meeting dominated by criticisms from irate minority shareholders.

Mr Jérôme Meysonnier, appointed by the French state, had previously announced losses of FFr10.8bn ($2.07bn) for 1995. He planned to re-balance the board of Société des Immeubles de France, its 55 per cent-controlled subsidiary, to give more voice to minority shareholders.

It also emerged during the meeting that three of the company's directors benefited from rental accommodation owned by Immeubles de France. Mr Georges Bonin, its chairman, Mr Denis Vilarrubla, managing director, and Mr Gérard Eldin had the use of apartments in central Paris for which they paid at an average FFr65 per sq m. They stressed this was in line with the rental policy for all tenants in the company's properties.

Mr Bonin triggered resentment at the start of the meeting by stressing the hall had been hired for only 90 minutes, which led to angry exchanges.

Ms Colette Neuville, head of the association for the defence of the minority shareholders, acting for a number of investors, called for the resignation of those members of the board who had a voted for a proposed merger with Immeubles de France and Crédit Foncier last September. Crédit Foncier is now technically bankrupt. She said the board's decision had been against shareholders' interests. Crédit Foncier's shares had since fallen sharply and asset valuations had been shown to be meaningless following FFr13.6bn in new provisions unveiled last month by Mr Meysonnier. Mr Bonin would not name which directors had supported the merger, and refused to put it to a vote. *Andrew Jack, Paris*

CEZ profits slip in first term

Profits at CEZ, the Czech electricity utility, fell slightly in the first quarter despite higher revenues, reflecting lower prices paid by regional distributors and a rise in operating costs. In the three months to March 31 CEZ earned pre-tax profits of Kč5.05bn ($145m), down from Kč6.37bn in the same period last year. Operating revenues rose 14 per cent to Kč16.37bn, on an international accounting standard basis. Net profits fell from Kč3.88bn to Kč3.66bn.

Operating costs rose sharply to Kč10.4bn and included a 70 per cent rise in purchases of additional power supplies from outside the company. Demand rose 10.4 per cent due to an exceptionally long and cold winter, and CEZ increased its share of the market from 76 per cent to 79.6 per cent. CEZ officials blamed the lack of a clear tariff policy between the company and the country's eight regional electricity distributors for the drop in earnings. Mr Gabriel Eichler, CEZ chief financial officer, said only higher output offset the profits slump caused by lower transfer prices with the distributors.

CEZ did not alter its forecast of unchanged net profits of Kč9.3bn and a rise of 4 per cent in pre-tax profits to Kč15.9bn for calendar 1996. But it said meeting these forecasts depended on getting a minimum annual increase of 1 per cent in the price it charges the distribution companies. *Vincent Boland, Prague*

Clariant sales 'stabilising'

Clariant, the speciality chemicals group spun off by Sandoz last year, said sales were stabilising after a year of decline caused mainly by the Swiss franc's strength. Turnover fell 8 per cent last year to SFr2.15bn ($1.7bn). This contraction continued in the first quarter, with sales down 6 per cent, but business had "picked up noticeably" in March and April.

In the first four months, sales fell 2 per cent in Swiss francs and were static in local currencies. Meanwhile, operating profits had risen by 3 per cent to SFr106m last year, because of cost-cutting. The company was aiming for double-digit growth this year. *Jenny Luesby*

Kirch buys Telepiù stake

Mr Renato Della Valle, the Italian entrepreneur, said he had sold his 23.4 per cent stake in pay television group Telepiù to Germany's Kirch group for L250bn. *AFX News, Milan*

CORRECTION

Bankers Trust

A full settlement involving all issues was reached earlier this month between Bankers Trust and Procter & Gamble in their two-year dispute concerning two derivatives transactions. A contrary impression was erroneously given in the article on risk management on page 7 of the survey on International Corporate Finance yesterday.

Nedlloyd upbeat despite Fl 15m first-quarter loss

By David Brown in Amsterdam

Nedlloyd, the Rotterdam-based shipping and transport group, yesterday reported a net loss of Fl 15m ($8.7m) for its first quarter ending March - down from the profit of Fl 77m after extraordinary items it managed during the same period a year earlier.

Nedlloyd's performance was roughly in line with analysts' expectations and the shares closed up 60 cents at Fl 37.90.

The Dutch group reiterated its view that although 1996 would be a difficult year - especially in light of the continuing weakness in the ocean-going shipping market - it nevertheless expected to close the year at break-even or with a small profit before extraordinary gains.

This full-year operating profit would be supplemented by additional extraordinary income related to its sale of an offshore drilling subsidiary, Neddrill.

Neddrill was sold to Noble Drilling Corp of the US in April for $300m in cash plus 5m Noble shares. This gain will be posted in the second quarter.

The Fl 15m first-quarter net loss was unaffected by extraordinary gains. During the comparable period in 1995, a profit of Fl 20m on "ordinary operations" was supplemented by extraordinary income of Fl 58m.

First-quarter turnover was Fl 1.67bn, compared with Fl 1.64bn a year earlier. Of this, Fl 909m was generated by the transport division and Fl 687m by ocean shipping.

Neddrill and other smaller units posted operating income of Fl 16m against Fl 3m for the first three months of 1995, due largely to higher rental income and high capacity utilisation of drilling equipment.

Nedlloyd's European transport and distribution arm reported a profit of Fl 14m, down from Fl 17m in the comparable period. This decline was attributed to weakness in Nedlloyd Road Cargo/FTL-Specials.

By far the hardest hit was Nedlloyd's ocean shipping division, where results fell from a profit of Fl 24m to a loss of Fl 14m.

This figure was struck after taking account of a Fl 30m profit from the sale of several roll on/roll off vessels by Nedlloyd Lines.

Volumes were stable but shipping tariffs declined during the period. Adverse currency movements trimmed another Fl 10m off the division's results.

Nedlloyd told shareholders that slight glimmerings of an improvement in the ocean shipping market appeared late in the first quarter, but added that the market was unpredictable and that the year as a whole was likely to remain problematic.

On the other hand, it expected the European transport and distribution arm would likely turn in a better full-year net result against the background of a continued improvement in its German Unitrans subsidiary.

Ifil beats forecasts for year

By Andrew Hill in Milan

Ifil, the Agnelli family's industrial holding company, beat analysts' expectations with a net consolidated profit for 1995 of L321.5bn ($206.4m), against L280bn in 1994.

The group, which has just increased its stake in Fiat, the Italian automotive and industrial group, has proposed a dividend of L120 per ordinary share, and L140 per savings share, against L110 and L130 respectively.

Ifil is one of two quoted holding companies controlled by the Agnelli family, founders of the Fiat group. It is in turn controlled by Ifi, the other holding company. Last week, Ifi and Ifil confirmed they would buy a 3 per cent stake in Fiat from Alcatel Alsthom of France. The L350bn purchase will take Ifi's direct stake in Fiat to 19 per cent and Ifil's holding to 13.8 per cent.

The holding company said that last year the combination of profit and dividends from its main investments, after financial charges, had increased to L235bn, against L175bn in 1994.

Apart from the Fiat stake, Ifil also owns stakes in Groupe Saint Louis and Danone, the French food groups, La Rinascente, the Italian retailer, Unicem, the cement group, and Accor, the French hotelier.

Ifil said it had realised substantial capital gains on a number of disposals including the sale of 2.2 per cent of Danone. This enabled Ifil to depreciate fully its investment in Unicem, made during 1994 and 1995, taking a L121bn extraordinary charge into the 1995 accounts.

The holding company, which is headed by Mr Umberto Agnelli, also confirmed it had almost eliminated debt, which stood at L604bn at the end of 1994. The group's consolidated net equity increased to L3,430bn, against L3,236bn a year earlier. Ifil's parent company increased net profit from L123bn to L130bn.

● Separately, Enel, the Italian state-owned electricity company, announced a net profit of L1,147bn for 1995, against L1,033bn in 1994. The company, which is earmarked for privatisation, is to pay a dividend of L85 a share to the Italian treasury, its sole shareholder.

Electricity sales at Enel increased 3.1 per cent during the year, compared with a 3.5 per cent rise in 1994. The group said it aimed to establish a wholly-owned subsidiary to handle its overseas activities.

Privatisation of Enel will be one of the main objectives of the recently appointed centre-left government of Mr Romano Prodi, which must also establish a regulatory authority for the sector.

Komerční Banka ahead 54%

By Vincent Boland in Prague

Komerční Banka, the leading Czech commercial bank, yesterday reported net profits of Kcs2.26bn ($54.2m) for the three months to March 31, a 54 per cent rise on the same level last year according to international accounting standards.

The bank, which last week completed the second tranche of a global depository receipt offering and a $250m eurobond issue, said the jump in profits was the result of increased income from foreign exchange and securities operations. Net interest income, on the other hand, fell 8.6 per cent in the quarter compared with the same period last year.

The bank said the quality of its loan portfolio improved, with the portion of standard loans in its total lending portfolio rising slightly from 61 per cent to 61.9 per cent.

The total level of reserves for bad debt and general risks was Kcs29.6bn and "fully covered all potential risks", the bank said. Loan growth expanded by 6.3 per cent, with loans outstanding at Kcs231bn.

Komerční's balance sheet totalled Kcs398bn at the end of the quarter, a rise of 2.6 per cent on the figure at the end of 1995.

Komerční's first-quarter figures continue a trend of good results seen from Czech banks in the second half of last year. The banking sector has been the target of heavy interest from investors since the start of the year in the expectation that the worst of loan loss provisions is behind the industry.

Analysts noted the growing importance of non-interest income to Komerční, which is seeking fresh areas of revenue and profits as interest margins continue to fall. Its net interest margin in the quarter was 3.7 per cent, against an average of 4.37 per cent in 1995 and 5.63 per cent in 1994.

Salomon takes innovative route to recovery

Vulnerability to weather patterns has prompted the French sports goods group to diversify

Six years ago lack of snow sent Salomon, one of the most famous names in winter sports, plunging into the red. Between 1989 and 1991 three consecutive poor winters in Europe and North America triggered cumulative losses for the Annecy-based group of more than FFr300m ($57.5m).

The world's largest manufacturer of ski bindings has devoted much of the past five years to trying to ensure the vagaries of global weather can never again upset it so badly.

The fruit of its efforts should be apparent today, when it unveils its annual results. They are expected to show a significant jump after the steady progress since 1992.

The losses, though attributable in large part to a 20 per cent decline in the winter sports equipment market, were exacerbated by two other factors over which management did have some control.

The company - which exports about 90 per cent of its FFr4bn annual turnover - was hit by the strength of the franc. Ms Anne-Marie Berrette, group secretary, estimates this cost Salomon FFr100m; the group was hedged against fluctuations in the dollar but not the yen, she says. Japan is comfortably the company's largest single export market.

More seriously, the group also suffered a catastrophic 30 per cent decline in 1990-91 in sales of its Taylor Made metal-wood golf clubs. These had soared from about FFr70m when Salomon purchased the company in 1984 to more than FFr1bn in 1989-90.

But suddenly, sales stalled - partly because of vigorous new competition. Taylor Made had no new product with which to restimulate demand. "We should have anticipated the need to launch a new product," says Mr Jean-François Gautier, Salomon chief executive.

Mr Gautier had arrived in May 1990, just as the full extent of the group's problems was becoming clear. He had been headhunted from the consumer products arm of Thomson, the electronics group, by Mr Georges Salomon, the group's founder.

His blueprint for making the group less vulnerable is founded on diversification. Under his leadership, the group has branched into hiking boots (in 1992), bicycle components (in 1994), and snowboarding (in 1995). It plans to start mass producing roller skates in 1998.

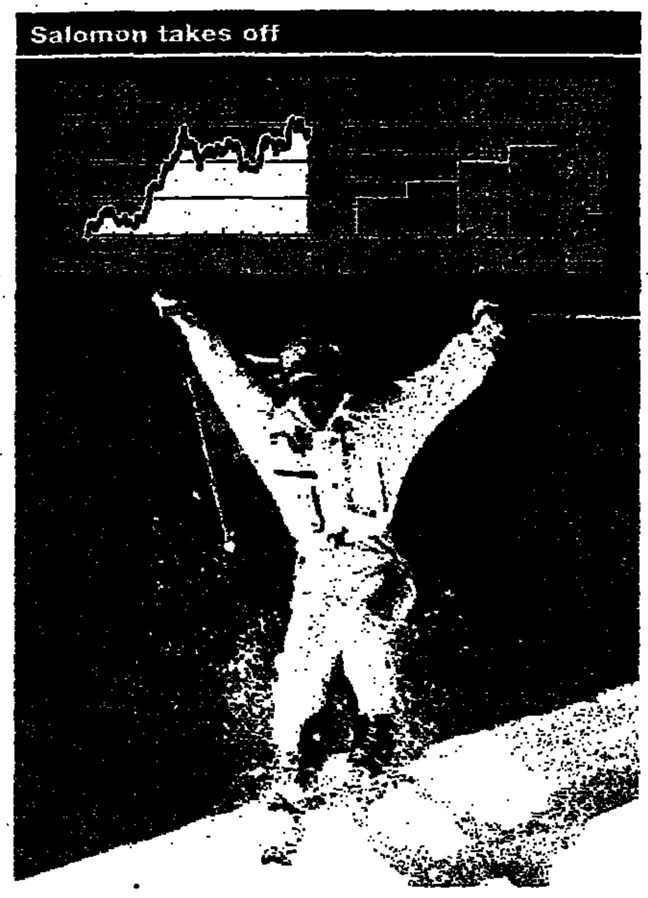
Mr Gautier's medium-term aim is to derive as much turnover from summer sports as from winter. He believes summer sports will continue to grow faster than their winter counterparts. If present trends continue, it looks like alpine skiing may in 1996-97 account for less than 50 per cent of group sales for the first time.

Salomon's diversification is based on its ability to create genuinely innovative products capable of transforming the markets into which they are launched.

Ever since this ski bindings specialist started diversifying its progress has been powered by design or technology that set its products apart. The best-known examples are its rear-entry ski boot launched in 1980 and the so-called "monocoque" ski, made from a single mould, which first appeared in 1990.

Innovation will be an equally important feature of Salomon roller skates. "We won't launch a skate like today's skates," Mr Gautier says.

Salomon takes off



Salomon's golf club sales have meanwhile recovered, thanks to the the so-called bubble shaft, an innovation which lowers the centre of gravity of the club and increases the club head's speed. Golf club sales rose 50 per cent to FFr1.15bn in 1995-96 on the back of this development.

Such an approach is time-consuming and expensive: the group spends 6 per cent of turnover on research and development; it is not unusual for five or six years to pass between a decision to attack a new market and the launch of the first product.

Most companies would come under pressure to cut corners and speed up this development process. But Salomon has the luxury of a family holding company that still owns nearly 40 per cent of the group's capital and 55 per cent of the voting rights.

Mr Gautier's biggest gamble is the launch in September 1996 of a new range of multi-purpose leisure footwear that he describes as the "four-wheel-drive" of the shoe sector.

This will mean taking on giants of the leisure footwear sector, such as Nike, Adidas and Reebok. If this prospect worries Mr Gautier, he does not show it. If the others have the edge in sheer size, he says, Salomon has the "technological savoir faire".

The company says sales of the new shoes, which retail at FFr500-FFr600 a pair, have "started well". It is aiming to lift non-ski footwear sales from 420,000 pairs in 1995-96 to 645,000 this year.

Although Salomon's recovery has been impressive, Mr Gautier acknowledges problems remain. The winter sports market, long the group's mainstay, is, he says, in "a bit of a crisis". The number of people visiting ski resorts is stable, but they are "doing less and less alpine skiing and more and more other things like snowboarding".

Although Salomon plans to profit from this new market, Mr Gautier says the trend nonetheless poses the company problems because "it means we will need to manufacture more and more different products". While this might favour large companies such as Salomon in the long run, for now, he says, the situation is "delicate".

From a financial perspective, however, the group has seldom looked sturdier, being virtually debt-free and with FFr700m of cash in the bank. "We could make an acquisition of up to FFr1.7bn if we wanted to," says Mr Gautier. "That's nice to know, even if we don't take advantage of it."

David Owen

Victor resumes dividend after four years

By Emiko Terazono in Tokyo

Victor, the Japanese audio maker, posted a sharp recovery in earnings on the back of brisk sales of its digital pocket cameras and high-end VCRs, the yen's depreciation, and cost-cutting efforts. As a result, it said it would resume dividend payments for the first time in four years.

The affiliate of Matsushita Electronic Industrial said unconsolidated recurring profits – before extraordinary items and tax – for the year to March soared 432.1 per cent to Y5.5bn ($51.4m).

Sales grew 4 per cent to Y562.6bn on steady demand for value-added products such as high-grade VCRs and wide-screen televisions.

The company also attributed the earnings recovery to rationalisation, including the integration of production bases and reforms in the organisational structure.

After-tax profits rose to Y2.5bn from Y79m in the preceding year, following the sale of assets. With net profits per share rising to Y9.75 from Y0.31, the company will pay a dividend of Y5 a share for the 1995 business year.

Victor posted an operating profit of Y460m, recovering from a loss of Y8bn the previous year. It attributed the turnround to cuts in material costs and the yen's depreciation against the dollar.

Domestic sales rose 7 per cent to Y282bn, while exports nudged up 1 per cent to Y280bn.

Consumer electronics sales, such as VCRs, camcorders and televisions, remained flat at Y375.5bn, while sales of professional electronic products fell 1 per cent to Y94.8bn. Electronic components rose 48 per cent to Y62.6bn and entertainment software, 4 per cent to Y26bn.

On a consolidated basis, sales totalled Y806.6bn, up 5 per cent from a year earlier, while net consolidated earnings rose 7.3 times to Y4.3bn.

Despite the earnings recovery, Mr Nobukazu Kaneko, managing director, warned that the environment for the company remained difficult. "The strong yen and the downward trend of domestic product and service prices is continuing to affect our audio visual business," he said.

For the current year to March, Victor forecasts a 44.3 per cent rise in non-consolidated recurring profits, to Y8bn, on a 4.9 per cent increase in sales to Y590bn. Net profits are expected to rise 2.4 times to Y6bn. On a consolidated basis, sales are expected to rise 5.4 per cent to Y850bn, while net profits are forecast to total Y6bn, up 39.5 per cent.

Kawasaki Heavy defies yen's strength with 31% advance

By William Dawkins in Tokyo

Kawasaki Heavy Industries, the first of Japan's engineering, aerospace component, shipbuilding and engineering combines to report annual results, yesterday announced a slightly higher than expected 31.2 per cent rise in group recurring profits – before tax and extraordinary items.

The increase came on a small, 1.4 per cent rise in turnover to Y1,086bn ($10.1bn) in the year to March, reflecting the impact of the yen's strength on the competitiveness of KHI's export sales in the first half of last year.

KHI has the highest exposure to exchange rate fluctuations of any Japanese heavy engineer, with just under one-third of its sales made abroad. Export volumes declined by nearly 4 per cent.

Net profits rose 61 per cent to Y16.46bn, and earnings finished the year up 7.68 per cent at Y12.19 a share.

Analysts believe KHI, like several other Japanese shipbuilders, made a loss on its shipbuilding activities, disadvantaged by a high cost bases in a world market burdened with over-capacity.

The group did not give a divisional profits breakdown yesterday.

Its defence, ship engine, plant and engineering divisions were expected to have been profitable, said Mr Matthew Ruddick, equity analyst at James Capel Pacific in Tokyo.

Profits in KHI's motorcycle division, where exports are higher than in the rest of the group, were under pressure in the first half, but recovered as the yen weakened later in the year.

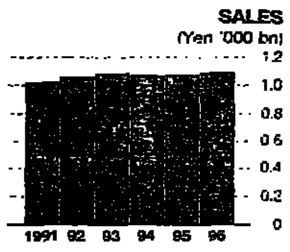
At parent company level, KHI reported a 21.3 per cent rise in unconsolidated recurring profits, to Y27bn, and more than doubled net profits to Y16.16bn on sales up 2.5 per cent to Y948.97bn. Parent recurring profits are forecast to rise 18 per cent to Y32bn in the current year to next March.

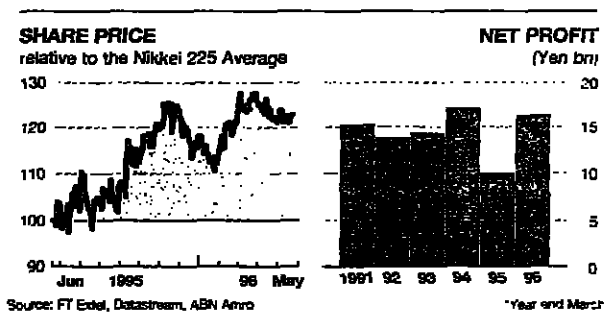
Within parent company sales, shipbuilding fell nearly 40 per cent to Y69bn, while KHI's automotive businesses recorded a 15 per cent rise in sales. Turnover at the energy and environment division expanded by 65 per cent.

More light will be thrown on the health of Japan's heavy engineering conglomerates today when Kanebo, primarily a shipbuilder, and Mitsubishi Heavy Industry, the largest in the sector, are due to report their results.

PROFILE:
KAWASAKI HEAVY INDUSTRIES
Market value: $6.9bn Main listing: Tokyo

Historic P/E	42.08
Gross yield	1.28%
Earnings per share	Yen 12.2
Current share price	Yen 547





Source: FT Extel, Datastream, ABN Amro

Ansett Airlines holds TNT to profit of A$32m

By Nikki Tait in Sydney

TNT, the Australian transportation group, yesterday announced a slump in operating profits before abnormal items and tax in the nine months to end-March, at A$69.8m (S55.4m). It warned that the full-year result would also be "well below that of last year".

In the same period a year ago, and on a similar equity-consolidated basis, the company made A$102.9m.

After tax, and helped by a A$16m abnormal surplus – compared with last time's A$14.7m charge – TNT turned in a bottom-line profit of A$32.2m. The comparable result in the first nine months of 1994-95 was A$34.8m. Total revenues in the latest period were A$5.53bn, up from A$4.66bn a year ago.

TNT put much of the blame for the downturn on its 50 per cent interest in Ansett Airlines, the Australia-based carrier, which it is seeking to sell to Air New Zealand. This made "a significantly lower contribution".

More positively, it said that pre-tax operating profits from its wholly-owned businesses improved to A$83.1m in the nine-month period, compared with A$55.6m a year ago. Sales from these interests were A$3.21bn against A$2.53bn.

According to TNT, this underlying advance reflected "strong performances" for the express delivery businesses in Germany, the UK and Italy, and most of the logistics operations.

However, TNT's Australian express delivery unit saw static earnings before tax, in a "highly competitive" environment, with the parent company warning that this situation was unlikely to improve before the year-end. Meanwhile, the "non time-sensitive" freight business overall posted a loss of A$17m before interest, compared with last time's A$13.2m profit. Australian, Canadian and Brazilian activities all faced problems.

GD Express Worldwide, the express delivery unit owned 50 per cent by TNT and also by various national post offices, remained in the red, although its losses were reduced.

TNT said it was optimistic about getting the Ansett stake sale through by June 30; new proposals designed to satisfy the competition authorities in New Zealand were filed earlier this week.

Buoyant demand drives rise at Ricoh

By Michiyo Nakamoto in Tokyo

Ricoh, the Japanese maker of office equipment, reported a firm rise in profits in the year to March, on the strength of buoyant demand for its copiers, facsimile machines and digital cameras.

Consolidated sales rose 9 per cent to Y1.113bn ($10.4bn) from a previous Y1,020.3bn and pre-tax profits climbed 21 per cent from Y41.1bn to Y49.5bn.

The strong performance came on increased sales of office equipment both in Japan and overseas.

Consolidated results were not as strong as its parent results, however, partly because of the weaker performance of Gestetner, the UK distributor of copiers which was acquired last September. At the parent level, recurring profits were 47 per cent up, from Y21.6bn to Y31.9bn.

Ricoh said that cost-cutting efforts, such as the standardisation of parts, also contributed to the better results.

In terms of products, the company saw widespread demand for its digital copiers, including colour copiers, and for its fax machines which incorporate copier functions.

Meanwhile, sales of digital cameras contributed to a strong rise in sales of photographic equipment.

Demand for digital cameras, which allow the images to be entered into a computer, has been strong among businessmen, who use them to take pictures on site and send them on-line to the office. They are also popular among individuals who make their own business cards on PCs.

In the current year, Ricoh expects sales to remain firm, forecasting a 15 per cent rise in consolidated sales to Y1.276bn. Pre-tax profits, however, are not expected to rise as strongly because of a change in accounting rules in the US which require larger reserves for pensions, Ricoh said. Pre-tax profits are forecast to increase to Y50bn, while net profits will rise to Y22.5bn.

NEWS DIGEST

Kumagai Gumi suffers sharp fall

Kumagai Gumi, one of Japan's largest general construction companies, yesterday followed the trend shown by its domestic competitors and reported a sharp decline in annual profits. Unconsolidated recurring profits – before tax and extraordinary items – fell 29 per cent to Y14.47bn ($135m) in the year to March on sales up 15.6 per cent to Y983.8bn.

Other Japanese construction groups believe they have passed the bottom of the cycle, but not Kumagai Gumi. Yesterday, it forecast another decline in recurring profits, to Y11bn on turnover down to Y890bn, in the year to next March.

The group blamed its poor performance on fierce competition for private sector contracts in Japan, amid a stagnant market for new office buildings. Public works turnover, lifted by the government's fiscal stimulus packages, rose 10.6 per cent to Y288.5bn. However, income from property sales fell 16.2 per cent to Y31.4bn, said Kumagai.

William Dawkins, Tokyo

East Japan Railway edges ahead

East Japan Railway, the largest operator to emerge from the break-up of Japan's former national rail service, yesterday reported a small rise in annual profits. The parent company reported a 2.8 per cent increase in recurring profits – before tax and extraordinary items – to Y102.15bn, on sales up 0.5 per cent to Y1.960bn in the year to March.

Fewer people travelled by rail early in the year because of the disruption caused by the Kobe earthquake in January 1995. However, increased freight revenues, an early response to Japan's economic recovery, compensated, said the company. Operating profits were down slightly, from Y388.2bn to Y383.7bn, but net profits rose a fraction, from Y57.38bn to Y57.41bn.

Overall, high-speed trains were the star performers last year, bringing in revenue of Y421.7bn, up from Y419.9bn in the previous 12 months, while income from other services stagnated at Y1.290bn.

William Dawkins

Asahi Glass upbeat

Asahi Glass, Japan's fast diversifying top glassmaker, yesterday reported a Y28.9bn ($269m) non-parent company recurring profit – before tax and extraordinary items – for the year to March. It also forecast a 14 per cent increase for the coming year. Asahi changed the end of its accounting period from December to March last year, so a comparison with the previous 12 months is not available. However, the profit was slightly less than Tokyo equity analysts' consensus forecast of Y31bn.

The group said it had benefited from a recovery in the Japanese domestic economy in the second half, with an upturn in private sector capital spending and housing investment. Consumer spending, however, had failed to pick up, it said. Accordingly, the company had strengthened its marketing and cut fixed costs and assets.

Glass sales accounted for Y444bn, nearly half total unconsolidated turnover of Y905.6bn. For the year as a whole, demand from the construction industry declined and sales to Japanese car producers stagnated, a consequence of the slowdown in car exports. Sales of light bulbs, by contrast, were firm.

Turnover in chemicals, the company's biggest diversification, reached Y335.8bn and experienced a recovery in demand. Electronic components sales reached Y76.5bn, helped by a buoyant market for integrated circuits and plant equipment, said Asahi. It forecast a 1.6 per cent rise in sales, to Y920bn, in the 12 months to next March.

William Dawkins

Sappi counts the cost of boldness

Despite industry woes, and heavy debt, the group is happy with SD Warren

Sappi surprised the paper industry in the autumn of 1994 when it outmanoeuvred Arjo Wiggins Appleton, its Franco-British rival, by snapping up SD Warren of the US. The bid, the largest ever struck in the US by a South African group, catapulted the hitherto obscure company into the international arena.

But although Sappi's strategy looked valid – the company became world market leader in coated paper – there were concerns at the time that the South African company might have overpaid. Many believed it would struggle to pay down the resulting debt, particularly given that the US paper cycle looked like peaking. Since the deal was struck, those concerns have looked increasingly prescient.

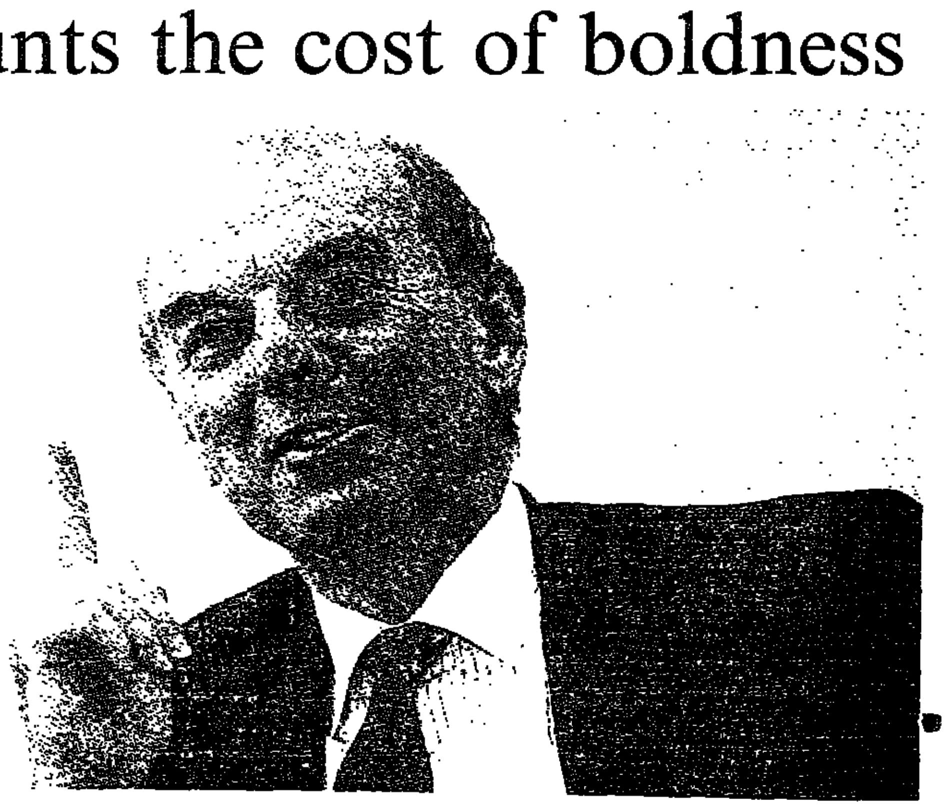
However, Mr Eugene van As, executive chairman, dismisses suggestions he paid too much. For one thing, the transaction price was $1.47bn rather than the publicly announced $1.6bn. This, he says, was because Scott Paper, SD Warren's owners, sold the business debt-free.

Mr van As insists SD Warren has turned out to be an excellent business, although Sappi has had to invest substantially and alter operating procedures.

"Scott was really insular," he explains. "Management thought it had been running the business really well. But when we showed staff best practice in South Africa and Germany, their first reaction was disbelief. Now they're delivering."

Investment has included an information technology system installed within three months. "Previously, it was almost impossible to tell what was going on," explains Mr van As. And the company has put money into safety. Accident rates at some mills were unacceptably high.

The South African company has also given management its head. "Previously, if SD Warren people wanted to get anything done, it had to be cleared in triplicate by headquarters. Now we tell them to just go and buy what they need. They have to deliver, of course. We don't tolerate sleepiness, but there's now an energy in the company that just wasn't there before," says Mr van As.



Eugene van As: 'Unlike some paper companies, what you see is what you get' Achley Ashwood

The results speak for themselves, says Mr van As. Sappi's US mills have increased annual production by 200,000 tonnes. And the group has increased its US market share in coated free paper by 2.5 percentage points to 27.5 per cent.

However, improvements in operational efficiency have been more than offset by the collapse in paper prices during the second half of 1995. SD Warren may have been earnings-enhancing in its first year under Sappi, but Mr van As admits he's not sure whether it will be this year. "It's not making what it earned last year, that's for sure," he says.

Mr van As admits the collapse in pulp and paper prices hit Sappi doubly hard. First, it reduced cashflow from the US operations which would have helped pay down Sappi's dollar-denominated debt. And secondly, it stalled a possible New York Stock Exchange quote last autumn which was also aimed at reducing Sappi's gearing.

"It's no secret we were looking at a quote, and there's no point having a quote without raising equity," explains Mr van As. But after the halving in pulp prices from a peak of $1,000 a tonne last September, the exercise was put on hold.

Gearing is between 90 per cent and 95 per cent, says Mr van As, although he stresses there is no off-balance sheet financing. "Unlike some paper companies, what you see is what you get," he says.

Sappi has taken some action to relieve its predicament. The group has paid off $170m in debt and refinanced its US bank borrowings, reducing the interest burden by between $8m and $10m a year. The group is also receiving some help from its German businesses which have recently picked up. Cashflow is covering interest payments, says Mr van As.

But what will really help is a recovery in pulp prices later this year, says Mr van As. "The ratcheting down of inventories has been dramatic. There has been a big movement in inventory from pulp to paper, and there's a lot of unannounced down-time, reducing production. Spot prices were below $450. Now nobody's paying that little. Pulp prices should continue to recover and could reach about $650 a tonne after the summer, and maybe $700 by year-end. As long as world economic growth remains steady, there will be no overcapacity until mid-1998 when new Asian machines come on stream."

Even if there is an upturn, Sappi will not be embarking on more acquisitions. Mr van As believes the pace of industry concentration could quicken, especially in Europe, where "quite a lot of coated paper capacity is coming in between now and December 1997".

No other global industry has its top 10 or 15 players sharing as little as 15 per cent of the market. "That will have to change," he says. "You're getting pan-European merchants . . . and they don't want to deal with every Tom, Dick or Harry in every country. And publishers are moving towards fewer suppliers." But the squeeze on balance sheets caused by the downturn in pulp and paper prices means mergers are more likely than acquisitions, he insists.

In the meantime, Mr van As remains unrepentant about the SD Warren acquisition. The business is a good one, he insists, and he would prefer to overpay for a good business than gain a bad one on the cheap. "If the market turns bad, you've still got a good business. If it was a bad business in the first place and the market turns down, then you're really in trouble."

Paul Abrahams and Alison Maitland

Deal gives NBC access to 25% of US households

By Richard Waters in New York

Television stations directly owned by NBC, the US network group, will have access to more than a quarter of all US households following the $425m purchase of stations in San Diego, California, and Birmingham, Alabama, announced yesterday.

The acquisitions, for cash, will give NBC-owned stations access to 25.1 per cent of the national audience, just above the 25 per cent ceiling allowed under earlier US legislation. That restriction was swept away in this year's telecommunications act.

NBC's purchase indicates the high price the US networks are prepared to pay to secure their audience. The addition of San Diego and Birmingham, respectively the country's 27th and 51st largest television markets, adds only 1.7 percentage points to its national coverage.

On that measure, yesterday's deal appears a more expensive acquisition than NBC's last big television station purchase. Last summer, the General Electric-owned group paid $321m for Outlet Communications, a company whose three stations lifted its national coverage by 1.8 percentage points.

The two stations are being sold by New World Communications, a producer and distributor of television programmes controlled by Mr Ronald Perelman. The two were already affiliated with NBC, while New World's remaining 10 stations – which between them cover 13 per cent of US households – are affiliates of the rival Fox network.

The scramble by the US network groups to lift their direct ownership and control of local television stations in part reflects the competition offered by Fox, which has made inroads into the market of the three established networks.

It was New World's decision two years ago to drop its affiliation with the then-struggling CBS in favour of Fox that added particular urgency to the rush by the networks to secure the loyalty of their affiliates.

Mr Bob Wright, NBC chief executive, said yesterday that "strong local broadcast stations and free, over-the-air television will remain the cornerstones of American television viewing".

New World said it would report a $225m pre-tax gain on the sale.

Success of client-server software lifts profits 25%

Soaring program sales boost CA

By Louise Kehoe in San Francisco

Computer Associates reported higher than expected earnings for its fourth fiscal quarter as sales of its client-server software programs jumped 60 per cent.

The software group reported net income for the quarter ended March 31 of $265.1m, an increase of 25 per cent over $212.9m in the same period last year. Income per share rose to $1.05 from 85 cents a year ago, adjusted for a three-for-two stock split in August.

Revenues for the quarter were up 38 per cent, at $1.1bn against $802m.

Wall Street analysts had been expecting earnings of about $1.02 a share. However, CA's share price dropped sharply in early trading amid concerns about the outlook for the current quarter.

After a delay, CA opened at $75, down $6¾ from Tuesday's close of $81⅛. The shares picked up to $76¾, however, after CA executives clarified the outlook. "The business outlook is strong and revenues are still soaring," said Mr Charles Wang, chairman and chief executive.

Earnings for the first quarter will, however, be reduced by scheduled write-offs associated with last year's acquisition of Legent, a mainframe software group, he explained. "This will make earnings comparisons difficult for the first quarter."

For the full year, revenues were $3.5bn, an increase of 34 per cent from $2.6bn in the previous 12 months. Net income, before acquisition charges, was $751.7m, or $2.98 a share, up 28 per cent from $586.5m, or $2.33, in the previous fiscal year.

After charges, CA recorded a net loss of $56.4m, or 23 cents a share, compared with net income of $431.9m, or $1.71, last time.

Mr Wang said CA's business in the client server segment – software used in computer networks – grew 70 per cent during fiscal 1996. During the fourth quarter, CA formed a strategic alliance with Digital Equipment that will further strengthen CA's market leadership, he added.

Revenues from mainframe computer software also continue to grow, said Mr Wang. "The mainframe is far from dead. It has a new role in enterprise networks." In the mid-range computer sector, software sales also grew strongly, he added.

CA said it had formed seven new independent business units to focus on specific segments of the software market.

ValuJet seeks to reassure Wall St

By Richard Tomkins in New York

ValuJet, the low-cost US carrier, told Wall Street analysts yesterday it expected to rebuild itself as a "safe, strong and profitable airline" after the crash that killed 110 people earlier this month.

Mr Robert Priddy, chairman and chief executive, said the airline had $254m in cash on hand at April 30.

It also had liability insurance of $750m – enough, Mr Priddy said, to cover any claims the airline foresaw.

The company was speaking to analysts for the first time since one of its DC-9 aircraft crashed in Florida on May 11, killing all the passengers and crew.

So far, the cause of the crash has not been established. However, the accident raised concerns about the safety of low-cost airlines, and ValuJet's share price tumbled on concerns that passengers would shun the airline.

Mr Priddy said that in the week immediately following the crash, ValuJet operated 80 per cent of its scheduled flights and carried 75 per cent of the customers who originally bought tickets. The airline filled 51 per cent of its seats.

Since then, flights have been cut further so that ValuJet can carry out what Mr Priddy described as a "massive ongoing aircraft inspection programme". On peak flying days, flights are down from 320 to 200. ValuJet said it hoped to bring its flight schedule back up to 320 some time in the fourth quarter.

Mr Priddy said booking information was currently "totally distorted", and that he therefore had no clear information on how bookings had been affected by the crash. He said the airline was not planning any fare sale to entice passengers back.

Mr Priddy said it was unclear when the airline would resume its previous growth pattern, but said the airline's fundamental business remained intact and that it had enough cash to afford it "considerable staying power".

NEWS DIGEST

Pharmacia & Upjohn cuts 20% of projects

Pharmacia & Upjohn, the pharmaceuticals company, is to halt about 20 per cent of its development projects and focus on five core areas after an extensive review of its research and development programmes. The company told analysts it intended to focus its $1bn a year R&D programme on projects "with the greatest prospects".

"During the remainder of 1996 and into 1997, we expect to continue to concentrate our greatest energies on advancing approximately 25 major products or line extensions now in Phase II/Phase III clinicals or beyond, as well as expanding our drug discovery activities through proportionally higher expenditures and through external collaborations," it said.

The company named 13 projects with either "limited market opportunities or unremarkable scientific data" that would be eliminated and their budgets reallocated to core areas. Projects to be discontinued or licensed out include tallimustine for acute leukaemias, thymoctonan for hepatitis, Linomide for leukaemia, flesetron for anxiety and amperozide for alcohol abuse. It will focus on oncology, the central nervous system, anti-infectives, and inflammatory and metabolic diseases. It will also increase investment in drug discovery-oriented research to between 25 and 30 per cent of its R&D budget.

Meanwhile, the company announced that it has completed construction of a $35m joint venture pharmaceutical plant in Suzhou, China. Upjohn Suzhou Pharmaceutical, which was set up in July 1993, is 75 per cent owned by Pharmacia & Upjohn and 25 per cent by Suzhou Pharmaceutical Factory No 4, a manufacturer of bulk pharmaceuticals.

Upjohn Suzhou will employ 100 workers and manufacture Pharmacia & Upjohn products, including antibiotics and steroids. Commercial production will begin in June, the company said.

AFX, New York

Strong demand lifts Saks

Strong demand from investors pushed shares in Saks Holdings, one of the best-known names in US retailing, to 50 per cent above their offer price in the first day of dealings yesterday. In early trading yesterday, the shares were changing hands at $35 – $12 above the top end of their price range.

That price puts a market value of about $2.1bn on the up-market department store that Investcorp, the Bahrain-based investment group, purchased for $1.6bn in 1990 from BAT Industries of the UK.

Although much of the US retailing industry remains depressed, recent months have seen a revival among luxury goods sellers such as Saks, which has 45 department stores and 19 other outlets in the US. Shares in Gucci, the maker of up-market leather goods, which were floated by Investcorp last October for $22, soared to a record $70⅞ on Tuesday.

However, some analysts were wary of the Saks offering. "At these levels I'm not enamoured of the stock, I think it is way ahead of itself," said Mr David Menlow, president of IPO Financial Network in Springfield, New Jersey.

Lisa Bransten, New York

Prudential America disposal

The consolidation of Canada's insurance industry has moved another step forward with an agreement by Prudential Insurance Co of America to sell its Canadian operations to London Life, a domestic insurer, for about C$100m (US$73m).

Prudential joins several other foreign insurers that have withdrawn from the over-crowded Canadian market in recent years. They include the UK's Sun Alliance and Prudential Assurance, and New York Life.

The pressure to rationalise has come from several sources, notably slim rates of return due to cut-throat pricing and high administration costs. Financial difficulties at a number of companies in recent years have led the authorities to encourage mergers and takeovers among the roughly 130 life offices operating in Canada.

In addition, the threat of competition from the powerful Canadian banks has spurred many insurers to reassess their future. Prudential's assets in Canada, including life insurance, and pension, annuity and mutual funds businesses, total C$4.2bn.

The deal will increase London Life's share of the individual life insurance market from 14 per cent to 18 per cent, and will almost double its share of the group life and health market to 11 per cent. London Life, which is part of the industrial and financial services group controlled by Toronto's Bronfman family and their managers, currently has assets of C$15.2bn. Its parent company will inject C$250m to maintain the insurer's capital ratios. London Life has significantly expanded its international business in recent years. It expects Asia to account for about one-third of new customers this year.

Bernard Simon, Toronto

Canadian forestry groups ahead

Canadian forest products companies earned a total of C$5.8bn (US$4.2bn) in 1995, up from C$2.5bn in 1994. The 1991–93 recession led to accumulated losses of C$4.1bn. A study by Price Waterhouse said sales rose 22 per cent in 1995 to a record C$54bn, of which C$41bn were exports. The strengths in 1995 came from pulp and paper products with higher shipments and prices. However pulp prices weakened sharply in the fourth quarter and newsprint producers have curtailed production severely this year, trying to maintain prices near 1995 levels. Wood products were weaker in 1995.

The industry lowered its debt-to-capitalisation ratio to 36 per cent from 39 per cent in 1994, when restructurings were under way. Wood costs climbed sharply in 1995, with a 28 per cent rise in provincial stumpage and royalties. Capital spending will total C$10bn in 1996–97, up from C$8bn in 1994–95, and will go for modernisation and environmental improvements. Analysts expect 1996 results to be substantially lower than those of 1995, with the second half better than the first.

Robert Gibbens, Montreal

This announcement is neither an offer to purchase nor a solicitation of an offer to sell these Notes. The Offer is made solely by the Offer to Purchase of Philippine Long Distance Telephone Company dated May 21, 1996 and the related Letter of Transmittal, and is not being made to and offers will not be accepted from or on behalf of holders of these Notes in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction.

Modified Dutch Auction Offer
by

Philippine Long Distance Telephone Company

to purchase for cash up to 40% (US$100,000,000) of the outstanding aggregate principal amount of

10.625% Notes Due 2004

ISIN No. US718252AA75

THE OFFER WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, JUNE 18, 1996, UNLESS EXTENDED (THE "EXPIRATION DATE") IN ACCORDANCE WITH THE TERMS OF THE OFFER.

Philippine Long Distance Telephone Company (the "Company") invites holders of its 10.625% Notes Due 2004 (the "Notes") to tender their Notes to the Company at spreads designated by the tendering holders (provided, however, that such spread is not greater than 2.35% nor less than 2.15%) over the yield to maturity of the 7.25% US Treasury Notes due May 2004 ("Reference Yield"), upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal (which together constitute the "Offer"). The Company will not, however, accept tenders of more than 40% (US$100,000,000) of the outstanding aggregate principal amount of the Notes. Accordingly, tendering holders of the Notes may be subject to proration in certain cases as described in the Offer. Tendering holders of Notes may indicate the principal amount of such Notes that are being tendered for sale to the Company without specifying a spread. Subject to the other terms and conditions of the Offer, tenders of Notes made in this manner will be accepted by the Company, and such holders will receive the same price paid to all holders whose tenders are accepted. The Offer will expire at 12:00 midnight New York City time, on Tuesday, June 18, 1996, unless extended (the "Expiration Date"), in accordance with the terms of the Offer.

The offer is conditioned upon, among other things, the receipt by the Company of gross proceeds of at least US$365,000,000 from the issuance of Global Notes at or prior to 10:00 a.m. New York City time on the Settlement Date, as specified in the Offer. Tenders of the Notes may be withdrawn at any time up to, but will become irrevocable at, 12:00 midnight on the Expiration Date.

Promptly after the Expiration Date, the Company will determine the maximum price that it will pay for Notes validly tendered and not withdrawn pursuant to the Offer, taking into account the principal amount of Notes so tendered and the spreads specified by tendering holders to be added to the Reference Yield. The Reference Yield shall be determined as of 3:30 p.m. two New York business days prior to the Expiration Date, as calculated by the Dealer Manager in accordance with standard market practice, based on the bid price, as reported in the Federal Reserve Bank of New York's "Composite 3:30 p.m. Quotations for US Government Securities". Subject to proration and the other terms and conditions of the Offer, the Company will select a single spread to be added to the Reference Yield that will enable it to purchase 40% (US$100,000,000) of the outstanding aggregate principal amount of the Notes (or such lesser principal amount of Notes as are properly tendered at spreads no greater than 2.35% nor less than 2.15%) pursuant to the Offer, taking into account the order of the specified spreads in respect of Notes validly tendered pursuant to the Offer, beginning with Notes validly tendered with the maximum spread so specified. Subject to proration and the other terms and conditions of the Offer, the Company will accept all tenders of the Notes that are made at or above the minimum spread selected by the Company, together with all tenders of Notes for which no spread is specified, and pay to such holders of the Notes the maximum price using the minimum spread selected by the Company (even if the minimum spread selected by the Company is lower than the spread specified by the holder).

Lehman Brothers International (Europe), Citicorp Securities, Inc., and their respective associates have or may have positions or holdings in the Notes and have provided significant advice in relation to the Notes within the previous twelve months.

Requests for copies of the Offer to Purchase, the related Letter of Transmittal and other relevant information should be directed to the Dealer Manager:

Lehman Brothers International (Europe)

One Broadgate
London EC2M 7HA, England
Attention: Magnus I. Gundersen
Call collect +44-171-601-0086

In New York:
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Call collect +1-212-528-7581
or (800) 438-3242

In Tokyo:
Mark C. Mallia
Call collect +813-5571-7130

In Hong Kong:
Huy D. Hoang
Call collect +852-2869-3529

Tender Agent:

Citicorp Securities, Inc.

Issued by Lehman Brothers International (Europe), regulated by the SFA.

May 23, 1996

Kingfisher sales pick up

By Geoff Dyer

Kingfisher provided further evidence yesterday that confidence is returning to the high street when the retailing group announced a stronger than expected rise in first quarter sales.

Boosted by above-forecast sales growth from Woolworths and B&Q, the home improvements business, Kingfisher increased like-for-like sales by 6.4 per cent.

The figures follow Tuesday's up-beat statement on consumer attitudes from Marks and Spencer.

Shares in Kingfisher, which were up 14p on Tuesday after M&S's comments, rose a further 12p to 620p yesterday after the group announced an 11 per cent advance in total retail sales to £1.24bn ($1.88bn) in the 13 weeks to May 4.

The news contributed to further share price rises across the retail sector, with Dixons up 8p at 504p and Argos 9p higher at 729p.

B&Q, which disappointed analysts last year after sales growth slowed dramatically in the second half, increased like-for-like sales by 3.4 per cent in the first quarter of this year. Demand was particularly strong in April.

The recovery was seen at both the large format Warehouse stores and at the smaller Supercentre stores, which were particularly badly hit last year. The sharp fall in B&Q's profits last year led Kingfisher to cut investment on Warehouse. One analyst said yesterday that the recent upturn in the market showed this decision had been "a knee-jerk reaction".

Woolworths, which reported an improved performance last year, increased like-for-like sales by 7.5 per cent, while comparable sales from Comet, the electrical retailer, were up 13 per cent, boosted by spending on personal computers.

Demand for mobile phones helped Darty, the French electrical retailer, to increase like-for-like sales by 5.1 per cent and Superdrug advanced comparable sales by 2 per cent.

Sir Geoffrey Mulcahy, chief executive, said the trend in sales was "encouraging", but cautioned that apart from B&Q, the group's businesses were dependent on the second half.

Kingfisher also announced that it was to seek a listing on the Paris Bourse because of the strong interest in its shares from French investors, largely due to Darty.

Liberty to close regional stores

By Geoff Dyer

Liberty, the retail and textiles group, yesterday announced the closure of its lossmaking chain of 20 regional stores at a cost of £5m ($7.6m).

The widely expected store closures, which follow a strategy review aimed at redressing several years of declining profits, will result in the loss of 350 jobs, over half of which are part-time.

The group also announced the appointment of Mr Andrew Garety, former finance director of Boddington Group, the pubs and hotels company, as its new finance director.

The £5m charge means that the group, which has already warned that profits before exceptionals in the year to January 27 will not be more than £2.1m, will record a substantial loss when it reports on June 7. Liberty said the results would include further provisions and confirmed that there will be no final dividend. Shares fell 15p to 355p on the news.

Mr Ian Thomson, chief executive, said that the regional branches, which stretch from Glasgow and Edinburgh to Exeter and Brighton, did not complement the group's flagship branch in Regent Street.

"The Regent Street store offers a unique assortment and we were unable to replicate that elsewhere," he said. The chain of shops, which was developed in the 1980s, had been lossmaking for a number of years. Mr Thomson said the group now wanted to increase investment in the Regent Street store and to expand its airport shops business.

In addition to its two shops at Heathrow Airport, a third opens today and a fourth will open later this year. Liberty was also looking to expand its international operations.

The appointment of Mr Garety follows a boardroom shake-up last month, which saw Mr Thomson replace Mr Patrick Austen as chief executive and resulted in three other directors leaving the board.

Bass 10% higher at £289m

By David Blackwell

Strong performances from managed pubs, soft drinks and Holiday Inn hotels more than offset a fall on the leisure side at Bass, which reported a 10 per cent rise in interim profits yesterday.

The shares rose 20p to 788p as City analysts pushed their forecasts up by between £15m and £20m to about £670m ($1.02bn) for the full year. "The market seems to be in love with Bass at the moment," said one analyst.

Pre-tax profits for the 28 weeks to April 13 rose from £263m to £289m on sales 12 per cent higher at £2.52bn (£2.24bn).

Sir Ian Prosser, chairman, said the group was "very strong financially. We have good organic growth plus the firepower to make acquisitions – but we are under no pressure to buy anything."

He would not comment on the widely rumoured possibility that Bass was negotiating to buy Carlsberg-Tetley, the joint brewing venture owned by Allied Domecq and Carlsberg of Denmark. Buying the third largest brewer would return Bass to number one spot in UK brewing following Scottish & Newcastle's takeover of Courage.

Analysts yesterday added to possible bid targets, William Hill, the bookmaker owned by Brent Walker, which wrote down the value by £268m yesterday. But Sir Ian would only add that Bass was always looking to upgrade or increase the size of all its outlets, and "wherever we can add value, to brand them."

Operating profits from Holiday Inn rose 16 per cent in US dollars, and nearly 19 per cent in sterling to £76m. The group was continuing to drive the quality of the hotels ahead, Sir Ian said. Of more than 500 hotels already approved to join the chain, 83 per cent were newly built.

The managed houses increased operating profits by more than 22 per cent to £103m, helped by continuing consumer preference for premium and packaged beers, but underlying growth was closer to 15 per cent. While wet sales per pub were up 7.5 per cent, food sales grew by 18 per cent, excluding Harvester, acquired last summer from Forte.

In the brewing division, beer volumes were 1.5 per cent ahead, with the move to premium product boosting profits by 9 per cent to £72m. Sales of Carling Black Label were now at more than £1bn.

The leisure division's operating profits fell from £42m to £35m. While profits at Coral were flat, the bingo side was hit by National Lottery scratch cards and the severe winter.

Sir Ian Prosser: group was 'very strong financially'

Courtaulds acts on price swings

By Jenny Luesby

Courtaulds, the chemicals and fibres producer, yesterday unveiled a ground-breaking contract with one of its raw material suppliers to end the price swings that cut its pre-tax profit by 13 per cent in the year to March.

In a move that could have implications across the chemicals industry, Courtaulds has set up a pilot contract with one of its largest acrylonitrile suppliers, pegging its raw material prices to the prices it can charge its own customers.

Similar deals are likely to follow with other acrylonitrile suppliers and with wood pulp suppliers, said Mr Gordon Campbell, who takes over as chief executive in July.

These contracts will stabilise the profit margins in Courtaulds' most volatile fibres businesses, acrylics and viscose, which account for 23 per cent of group sales.

Courtaulds buys 150,000 tonnes a year of acrylonitrile in Europe, used to make acrylics, and 300,000 tonnes a year of wood pulp, used to make viscose and tencel, the group's newest fibre.

Last year, the prices of acrylonitrile rose from $500 to $1,500 a tonne before falling back to $700. Similarly, wood pulp rose from $500 to $1,200 a tonne, before recoiling to $600.

As a result, acrylics and viscose profits were "negligible", said Mr Sipko Huismans, chief executive. Typically, these businesses achieve profit margins of around 10 per cent.

The group's pre-tax profits fell from £151.1m to £131.5m ($199.9m) on sales up 7.7 per cent at £2.3bn (£2.13bn).

In the fibres and chemicals division, operating profits fell 27 per cent to £58m, with the decline in acrylics and viscose offset by profit growth in Tencel – the group's newest fibre – acetate and chemicals.

Tencel output doubled in the final quarter to 45,000 tonnes a year, and prices rose 8 per cent.

In coatings and sealants, operating profits rose from £61m to £71m, thanks to the acquisition of Mehnert and Veeck, which contributed £4m, and strong growth in Asia.

However, profits fell back 5 per cent to £19m in the polymers division, following a delayed site closure in the US.

The disposal of Amtico, Cellophane and OPP raised just over £100m.

Earnings fell by 20 per cent to 20.2p (25.4p).

LEX COMMENT

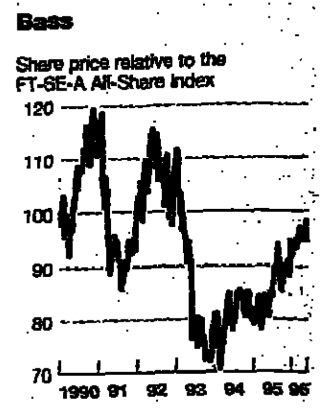
Bass

While Bass's name has been linked to every likely bid target in the brewing and leisure sectors, it demonstrated yesterday that it is under little pressure to deliver a deal. There is a strong case for substantial investment in its existing businesses, and capital expenditure should reach £600m this year. The pub portfolio offers scope for catching up with its peers, through re-branding and higher food sales. The Holiday Inn hotels business is performing strongly, and with 28 per cent of its hotels undergoing modernisation this year growth prospects remain exciting. Meanwhile, the leisure businesses have reached their nadir in terms of comparisons with life before the National Lottery, and the group is investing heavily in new bingo clubs. Bass should make profits of £670m this year, putting its shares at a 10 per cent premium to the market's average prospective price-earnings ratio. Since only 23 per cent of interim profits came from brewing, with the remainder from faster growing leisure-related businesses, this seems more than justified.

Nonetheless, the catalyst for any further re-rating is likely to be an acquisition. Brewing has been revived by the huge success of Caffrey's and Hooper's Hooch, but the purchase of Allied Domecq's Carlsberg-Tetley stake would bring enormous cost savings. Chairman Sir Ian Prosser's statement that consolidation in the brewing industry would not mean price increases was clearly aimed at the regulator – and it is accurate, up to a point. Bass would have to make some sacrifices to win regulatory approval, but a profitable compromise looks achievable.

Bass

Share price relative to the FT-SE-A All-Share Index



Source: FT Extel

Swissair offer stays grounded

Christopher Brown-Humes looks at the battle for duty-free sales

It is not every day a company turns down an offer for part of its business in favour of one worth £15m less. But that is what Allders appears to have done in choosing a £130m bid from BAA for Allders International, its tax and duty free business, in preference to a £145m rival offer from Swissair.

Not surprisingly, the Allders camp was yesterday going to great lengths to justify its acceptance of the lower offer. BAA had provided a clean unconditional bid, it argued, whereas Swissair had not tabled a legally binding offer and had made any bid conditional on supervisory board approval.

Allders added that eight days of exclusive negotiations with Swissair in early May had failed to produce a breakthrough, and there was no certainty about a binding deal even at the eleventh hour. It was also clearly worried that BAA might walk away, severely damaging its negotiating position.

Links between BAA and Allders International go to the heart of the deal because of the management contracts between the two groups at seven of BAA's UK airports, including Heathrow and Gatwick. This is the most profitable part of the Allders International business and accounts for a substantial chunk of its revenues.

Discussions only came about because BAA indicated it wanted more direct control over its retailing operations, which would inevitably have led to a severance of the management contracts. This would have weakened Allders' profitability and could have damaged its credibility in competing for business elsewhere.

It is perhaps puzzling that Swissair wants to get into a business that would almost certainly lack the BAA contracts and also faces the strong possibility that the EU will phase out duty-free sales in 1999. Allders has said this threat is one of its main reasons for quitting duty-free, as European sales account for about one third of Allders International's business.

But Swissair has shown a determination to build up its duty-free activities through its Nuance subsidiary, which has annual revenues of SFr315m (£166m). As part of its expansion in this area, the group last year bought two Australian companies, Mcleod and City International Duty Free Australia.

Swissair already has duty-free shops in Switzerland and Australia, off-airport shops in Australia, and in-flight sales.

Analysts say Swissair also has pressing reasons for wanting to diversify away from its core airline business, given its relatively small domestic market and the longer term threat to its business posed by larger airlines and deregulation.

BAA, meanwhile, has said it wants to build on its international airport business, and establish itself as "a major player in worldwide airport retailing". In the year to March 1995, it had net retail income of £360m, some 51 per cent of it from duty-free.

What attracts both BAA and Swissair are the opportunities afforded by rising world travel – a business projected to grow by 6 per cent a year – and the fact that airport travellers are captive, often affluent customers, who are usually "demob happy" when passing through the departure lounge.

A growing part of airport retailing falls outside the traditional duty-free categories of alcohol and cigarettes and hence would not be affected by moves to scrap duty-free sales.

Allders International, as the world's second largest duty-free retailer after DFS of the US, would represent a substantial platform for expansion for either company.

BAA says acquiring Allders would give it 4 per cent of the world market to DFS's 15 per cent. It is particularly excited about opportunities in the fast-growing Asian markets.

But duty-free is not a sure-fire recipe for success. Heavy start-up costs can hold back profits, as Allders' recent experience in Copenhagen and Paris has shown.

The war of words between Swissair and Allders was rising in intensity last night, but it may yet lead to a higher offer than £130m, either from Swissair or BAA. Allders shareholders should be able to enjoy the auction.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Archer	6 mths to March 31	5.01	(4.9)	0.437L	(0.386L)	1.2L	(1L)	0.5	July 18	0.5	-	1
Baggeridge Brick	6 mths to March 31	14.5	(16.5)	0.724	(2.13)	1.19	(3.56)	0.75	Aug 7	0.75	-	3.125
Bass	28 wks to April 13	2,521	(2,240)	289♠	(263♥)	21.9	(19.6)	7.7	July 29	7.1	-	22.7
Brent Walker	Yr to Dec 31	1,659	(1,710)	414.5L♠	(143L♠)	107.5L	(39L)	nil	-	nil	nil	nil
Chrysalis	6 mths to Feb 29	56.3	(47.1)	2.86L	(2.48L♠)	9.35L	(9.92L)	nil	-	nil	-	2.75
Courtaulds	Yr to March 31	2,296	(2,131)	131.5♠	(151.1)	20.2	(25.4)	11.6	Aug 1	11.25	15.9	15.4
Drew Scientific	Yr to March 31	2.27	(1.01)	0.058L	(0.796L)	0.2L	(3.3L)	-	-	-	-	-
Glencar Explor ♣	Yr to Dec 31	-	(-)	0.199L♠	(0.21L♠)	-	(-)	-	-	-	-	-
Land Securities	Yr to March 31	462.2§§	(460.4§§)	237.6	(244.7)	33.69	(35.23)	18.9	July 15	18.15	26	25
Merchant Retail	Yr to March 30	93.3	(146.9)	2.16L♠	(1.08)	3.27L	(1.04)	-	-	-	-	-
Parkland	Yr to March 3	51.9	(49.7)	2.54♥	(2.15)	25.4	(22.6)	3.3	July 8	3.5	5.5	5.5
Quadramatic	6 mths to March 31	29.5	(22.9)	6.22	(4.87)	9.5	(8)	3.8	July 4	3.2	-	8.15
Tunstall	6 mths to March 31	39.3	(26.4)	4.18	(5.04)	8.5	(11.5)	1.68	July 18	1.49	-	4.365
Whessoe	6 mths to March 31	42.6	(45.1)	0.014♠	(2.33L♠)	1L	(10.4L)	1.7	July 12	1.5	-	4.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Contra Cyclical	Yr to March 31	31.79	(37.94)	0.79	(2.37L)	11.26	(9.41)	2.75	June 30	2.75	9.5	9.5
Dunedin Smaller	6 mths to April 30	409.4	(311)	0.75	(0.603)	4.46	(3.59)	3	July 26	3	-	9
F&C Emerging	6 mths to March 31	112.2	(98.9)	2L	(1L)	1.1L	(0.73L)	-	-	-	-	nil
Hoare Govett 1000	Yr to March 31	107.92	(90.14)	0.007	(0.033)	1.52	(0.86)	0.75	June 11	-	1.5	0.75
Hoare Govett Smllr	Yr to March 31	146.61	(118.54)	0.35L	(0.123)	2.35	(2.19)	1.25	June 11	1	2.25	2
Mercury Euro Priv	Yr to March 31	119.93	(95.2)	14.8	(13.4)	2.59	(2.33)	1.3	July 16	1.15	1.9	1.75

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. §USM stock. §§Rental income. ♣Irish currency.

COMMODITIES AND AGRICULTURE

LME copper hit by fresh turmoil

By Kenneth Gooding, Mining Correspondent

Fresh turmoil and volatility swept the London Metal Exchange's copper market yesterday as the "longs" and the "shorts" battled for the upper hand. The conflict saw the price for delivery in three months drop by $100 a tonne in morning trading only to regain all the lost ground by the close.

Analysts said that such "choppy" conditions frequently followed sharp falls in metal prices of the kind copper has seen since last Friday as the market searched for a level at which it could consolidate. "This volatility could go on for days or even a week or so," one said last night.

Three-month copper dropped to $2,345 a tonne at one point, its lowest level for two years and nearly 14 per cent below the 1996 peak of $2,715 touched as recently as May 9.

As the "shorts" – those who had sold copper they did not own in the expectation that they could buy later at a lower price – struggled to cover, the price rebounded to a day's high of $2,446. Three-month copper closed at $2,430, virtually unchanged from Tuesday.

Meanwhile, the ferocious technical squeeze that has gripped the market for some months continued to make itself felt. The premium for copper for immediate delivery compared with three-month metal widened during the day from $60 a tonne to $110.

Analysts said this indicated that LME stocks were tightly held. "It is very dangerous to go short at a time like this," said one analyst. "The shorts will win eventually because so much extra copper will be produced this year, but it will be a bloody battle."

Peace brings deeper interest in Angolan diamonds

Michela Wrong reports on the first major attempt to mine the country's kimberlite pipes

The now quiet river valley at Catoca, 22 miles west of Saurimo, capital of the Angolan province of Lunda Sul, used to be a hive of frenetic activity. Until July some 4,000 ragged *garimpeiros* (illegal diggers) worked the slopes, extricating diamonds *hidden in the alluvial deposits.*

Today they are gone, their muddy scratchings filled in by bulldozers and their shelters torn down, while access is denied to all but authorised personnel. Bigger plans are afoot: Catoca is about to host an experiment, the first major attempt in Angola to mine kimberlite, the volcanic pipes where diamonds originate.

The project, awarded to Sociedade Mineira de Catoca, a joint venture grouping the state diamond company Endiama with Odebrecht Mining Services of Brazil and Russia's Almazil Rossii-Sakha, should give the first solid indication whether Angola's 600 pipes merit exploitation.

Until now, the security risks associated with two decades of civil war and the high quality of gems washed up in Angola's river beds have discouraged prospecting of the kimberlite.

"So far we have only *scratched the surface,*" says Mr Robert Jones, Odebrecht's mining manager. "This is one of the most promising prospecting areas in the world."

The Catoca kimberlite is estimated to spread over 660 hectares, making it one of the world's largest deposits. SMC plans to spend the first nine years mining the top layers. It believes an annual 1.6m tonnes of extracted kimberlite could yield between 930-940,000 carats.

If that level of output is successfully reached, SMC will fund drilling to a depth of 400m. Potential reserves, expected to be tapped over 30 to 40 years, are estimated at up to 200m carats.

Not everyone in the industry shares the company's optimism. Mr James McLuskie, consulting engineer for the South African giant De Beers, questions the wisdom of launching into low-level production while SMC is still sampling the quality of the pipe.

> 'So far we have only scratched the surface. . . This is one of the most promising prospecting areas in the world'

"The value of the diamonds per carat is uncertain, and even in their feasibility study the Russians admit they don't know what it is. That pipe was discovered more than 30 years ago – if it's so great, why hasn't it already been exploited?

"We agree that grade and quality has to be established, but we disagree about how best to do it." De Beers itself was originally approached to take part in the project but pulled out when marketing was awarded to the Russians.

So far the project is in its infancy. A treatment centre, due to start handling 320 tonnes of dirt an hour by October, is little more than a huge brown gash in the vegetation, being worked over by a bulldozer. More than 350 employees are hammering prefabricated lodgings for the diggers into place, erecting storage centres, workshops and clinics.

Catoca will be the most visible part of a government drive to bring order to the anarchic Lunda provinces, swamped by *garimpeiros* when the government passed a 1991 law allowing individuals to own and sell diamonds.

The aim is to return the industry to state control by awarding concessions to companies that will work in tandem with Endiama, market diamonds through the public company and take on displaced *garimpeiros* as employees.

Moving the garimpeiros off the land and relegating them to less profitable river beds has fuelled a certain hostility in neighbouring Saurimo. Diamond mining is the main activity in the town, which tripled in size when the laws were changed.

Mr Jose Ganga Junior, SMC's administrative director, believes the locals will realise they stand to benefit in the long term. "Before, the only people who profited were the middlemen. The garimpeiros themselves were paid in local currency and had a miserable existence. Our workers are paid in dollars and there are no middlemen."

While the point is getting across to the local population, however, the company is taking no chances in a region known for its lawlessness. When SMC officials visit Catoca they travel in convoy and a contingent of well-armed Angolan security men ride gunshot ahead of them.

"We have never been attacked, but people here are different," says Mr Ganga Junior. "They have their own rules, administer their own justice. If you break their rules, you pay the price."

Australia 'will not legislate to extinguish native title'

By Nikki Tait in Sydney

Mr John Howard, Australia's prime minister, indicated this week that despite pressure from the mining industry and backbenchers, his government would not be legislating to ensure that past grants of pastoral leases extinguished native title.

Uncertainty was left in this area by Australia's 1993 Native Title Act, prompting an outcry from the mining and rural industries.

Miners and pastoralists claim that major development projects have stalled because it is unclear whether would-be developers are required to go through a complex negotiation process with aboriginal claimants.

On Tuesday Mr Howard told parliament that, while the government would shortly be circulating a discussion paper *outlining* options for amending the Native Title Act, "those options will not include a proposal through legislation to extinguish native title".

The coalition government is thought to have received similar advice to the former Labour administration – that if it legislated on the issue, that law could be challenged under the Racial Discrimination Act, and also that the government could be liable for compensation payments.

Instead, the issue will be left to the High Court, which is due to hear a case involving native title rights on land subject to a pastoral lease next month. However, most lawyers acknowledge that any comprehensive determination in this area by Australia's highest judicial authority may take years to achieve.

In the meantime, Mr Howard said that the paper would canvas means of curtailing the "right to negotiate" process, in an effort to accelerate and simplify the developer's task. "The notion that any option to propose a more stringent approach to the right to negotiate would be taking a right away from native title holders which has not be taken away from holders of other common law titles in Australia would not be a valid argument," he said.

Speculation that the government was disinclined to legislate in this area has been mounting for several weeks, prompting the discussion paper to be delayed and party-*room meetings to be held with* dismayed backbenchers.

RTZ-CRA sets deadline for zinc mine agreement

By Nikki Tait

RTZ-CRA, the Anglo-Australian mining group, yesterday set a June 30 deadline for reaching a settlement with aboriginal groups in northern Queensland that would permit its proposed A$1.1bn Century zinc mine to proceed.

The mining group gave a conditional go-ahead to the project – which would be the world's largest zinc mine – late last year. However, it subsequently became clear that the local Waanyi people were entitled pursue a claim for native title over land including the mine site, and CRA has so far failed to win their backing for any development in the interim.

At CRA's annual meeting in Melbourne yesterday, Mr John Uhrig, chairman, told shareholders that until a few days ago, it had seemed likely that the project would be put on hold and the project team disbanded – a move that could have led to the mine plan being abandoned.

But he said that a meeting last week of nearly 300 aboriginal people had given qualified support, and there was also an agreement to set up a more formalised negotiation process.

As a result, the RTZ-CRA board had postponed until end-June its decision to cease expenditure on the project.

Mr Uhrig added that even if broad support from the aboriginal community was forthcoming by then, the company would still need secure legal title by the end of September. It would also need confirmation from Pasminco, the Australian zinc producer, that it would buy a large part of Century's output for use in its Budel smelter in Holland.

● Plans by Energy Resources of Australia, part of the Melbourne-based North group, to develop a new uranium mine *in the Northern Territory* have been dealt a blow, with the local aboriginal landowners saying that they do not want the project – known as the Jabiluka mine – to proceed. They are also opposed to milling of Jabiluka ore at ERA's existing Ranger uranium mine, which is nearby.

Jabiluka would be the first new uranium mine in Australia for more than a decade – development having been barred under the former Labor government's "three-mines policy".

Although both ERA and the federal government have said that landowners' permission would be necessary for Jabiluka's development, the situation is complicated from a legal standpoint because the traditional owners gave approval to a different mine scheme for the same ore-body back in the early-1980s. ERA also said that discussions were still continuing between traditional owners and the Northern Land Council, the representative body for local aboriginal interests.

Aside from the local landowner issue, Jabiluka's development is also dependent on it winning environmental approval – a matter now being considered by Senator Robert Hill, the federal environment minister. Senator Hill said that he expected to meet members of the Northern Land Council on Monday.

ERA, meanwhile, announced a nine-month profit after tax of A$11.3m to *end-March,* compared with A$5.8m a year ago.

In the light of RTZ-CRA's problems with the Century Zinc project, Pasminco, the Australian metals group, is to ask the Dutch authorities for a six to nine-month extention to the July 1998 deadline set for the Budelco smelter in the Netherlands, Reuter reports. Budelco has been ordered to stop producing a hazardous waste called jarosite by that time and the proposed Century mine is the only possible source of the "clean" concentrate the Dutch smelter needs.

Budelco, has an annual capacity of 200,000 tonnes or about 5 per cent of western world requirements, and analysts suggest its closure would cause a 10 per cent rise in zinc prices.

Century also needs Budelco because the smelter will take about half its projected output of 750,000 tonnes of concentrate (an intermediate material).

Korea Zinc, which is building a 170,000 tonnes a year zinc smelter at Townsville, near the Century project in Queensland, said Century was only one of a number of potential raw material suppliers and its smelter would be built even if Century was shelved.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1553.5-4.5	1587-8
Previous	1545.5-6.5	1580-0.5
High/low		1594/1582
AM Official	1539-9.5	1572-2.5
Kerb close		1593-5
Open int.	227,608	
Total daily turnover	47,917	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1290-300	1330-40
Previous	1300-05	1340-45
High/low	1305/1295	1340/1330
AM Official	1292-3	1328-30
Kerb close		1340-45
Open int.	4,919	
Total daily turnover	1,290	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	842-4	843-4
Previous	835-6	832-3
High/low	834/833	848/821
AM Official	834.5-5.5	830-2
Kerb close		847-8
Open int.	35,562	
Total daily turnover	5,201	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7745-55	7850-60
Previous	7915-25	8020-25
High/low		8060/7760
AM Official	7725-35	7835-40
Kerb close		7855-60
Open int.	42,558	
Total daily turnover	25,232	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6220-30	6255-65
Previous	6220-30	6260-70
High/low		6300/6190
AM Official	6180-90	6215-25
Kerb close		6240-5
Open int.	16,781	
Total daily turnover	5,006	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1034.5-5.5	1061.5-2.0
Previous	1037-8	1063-4
High/low	1030.5	1068/1054
AM Official	1030.5-1.0	1057-7.5
Kerb close		1062-3
Open int.	71,964	
Total daily turnover	11,022	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2545-50	2434-6
Previous	2510-15	2432-4
High/low	2553/2550	2446/2345
AM Official	2448-50	2373-8
Kerb close		2430-1
Open int.	183,982	
Total daily turnover	99,285	

■ LME AM Official £/$ rate: 1.5100
LME Closing £/$ rate: 1.5064
Spot: 1.5110 3 mths: 1.5098 6 mths: 1.5089 9 mths: 1.5056

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	391.30-391.70		
Opening	391.00-391.50		
Morning fix	391.00	259.026	494.101
Afternoon fix	390.80	258.825	495.339
Day's High	391.60-392.10		
Day's Low	390.70-391.20		
Previous close	390.30-390.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.55	6 months	4.25
2 months	4.45	12 months	3.95
3 months	4.45		

Silver Fix	p/troy oz.	US cts equiv.
Spot	350.25	529.25
3 months	354.95	535.55
6 months	359.60	541.80
1 year	369.05	555.20

Gold Coins	$ price	£ equiv.
Krugerrand	391-394	258-260
Maple Leaf	401.90-404.45	
New Sovereign	91-94	60-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open Int
[illegible]						

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group: US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round): 1995 crop 3,300 CFR/FOT MEP. US almonds (shelled, tight availability for 1995 crop; New crop 23/25 NPSSR at 5,640 FAS California. September/October shipment. US walnuts LHP 20% – new crop estimate will be published at the end of May: prompt price is 6,100 FAS California, easy. Indian cashews raw: 1995 crop, W-320, 6,100 spot Europe – soft; 1996 crop from origin at 5,550 CFR India for second half of 1996. Turkish hazelnut kernels, 13/15 standard 1s, 1995 crop, 3,100 FOB MEP; new crop at 3,000 FOB MEP. Turkish apricots No. 4, 1996 crop at 2,400 FOB MEP, firming. Chinese pine nut kernels: Chinese debating on contracts following price increase from 4,500 to 7,000. Israeli sunflower seed – new crop 8mm+ estimate at 1,900 CFR.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
May 21		
Daily	1047.63	1057.51

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ COFFEE (ICO) (US cents/pound)

May 21	Price	Prev. day
Comp. daily	111.13	111.76
15 day average	112.41	112.38

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

May 22	May 21	month ago	year ago
2112.7	2128.0	2130.6	2213.6

■ CRB Futures (Base: 1967=100)

May 21	May 20	month ago	year ago
257.59	259.24	261.07	236.48

■ GSCI Spot (Base: 1970=100)

May 21	May 20	month ago	year ago
209.73	212.03	212.35	184.27

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
[illegible]						
Dec	53.575	-0.525	54.900	53.300	425	5,801
Feb	73.500	-0.775	74.250	73.250	145	1,015
Total					9,759	43,482

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
May	90.550	+1.95	90.550	88.850	182	600
Jul	86.325	+2	86.325	84.350	2,287	5,898
Aug	83.100	+2	83.100	81.300	836	2,294
Feb	75.000	-2	77.900	75.000	123	526
Mar	75.850	-2	78.250	77.850	6	48
May	80.200	-2	80.250	80.250	2	82
Total					3,433	9,398

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1500	77	124	1	18
1600	9	61	33	53
1700	-	25	12	114
■ COPPER (Grade A) LME	**Jun**	**Sep**	**Jun**	**Sep**
2300	233	147	1	47
2400	140	91	8	90
2500	67	52	35	149
■ COFFEE LCE	**Jul**	**Sep**	**Jul**	**Sep**
1900	69	141	114	203
1950	52	124	147	236
2000	39	109	184	271
■ COCOA LCE	**Jul**	**Sep**	**Jul**	**Sep**
875	210	192	-	3
900	185	170	-	5
925	160	150	-	8
■ BRENT CRUDE IPE	**Jul**	**Aug**	**Jul**	**Aug**
1850	39	-	31	-
1900	48	25	47	-
1950	27	-	27	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.18-7.24x	+0.22
Brent Blend (dated)	$19.49-9.54	+0.695
Brent Blend (July)	$18.95-8.97	+0.47
W.T.I.	$21.43-1.47x	+0.865

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$225-227	
Gas Oil	$176-178	+6
Heavy Fuel Oil	$87-89	-6
Naphtha	$186-188	
Jet fuel	$193-195	+5
Diesel	$179-181	+5

■ NATURAL GAS (Pence/therm)

Bacton (Jun)	10.10-10.60

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

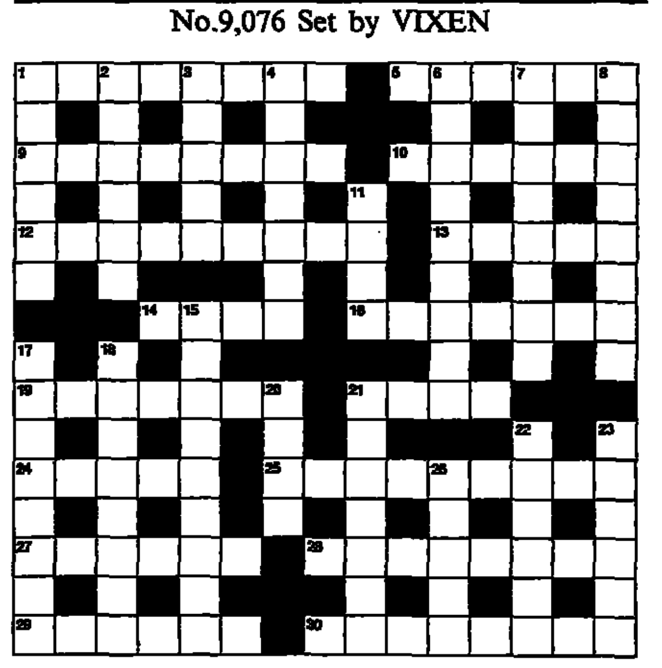
Gold (per troy oz)♣	$391.45	+0.95
Silver (per troy oz)♣	533.50c	+4.0
Platinum (per troy oz.)	$396.75	-0.95
Palladium (per troy oz.)	$128.45	+0.40
Copper	134.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.52r	+0.10
Tin (New York)	291.50	
Cattle (live weight)	96.29p	-4.20*
Sheep (live weight)	144.95p	-10.49*
Pigs (live weight)†	127.05p	+9.22*
Lon. day sugar (raw)	$294.8	-4.5
Lon. day sugar (wte)	$394.5	-6.4
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	104.00p	
Rubber (Jul)♥	104.00p	
Rubber (KL RSS No1)	376.50m	-2.0
Coconut Oil (Phil)§	805.0v	
Palm Oil (Malay.)§	$540.0z	
Copra (Phil)§	$503.0z	
Soyabeans (US)	224.5z	-1.5
Cotton Outlook'A' index	82.30c	
Wooltops (64s Super)	448p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z May/Jun. x Jul. v Apr/May. y Apr/Jun. w Jun/Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,750 head of pigs sold.

JOTTER PAD

CROSSWORD

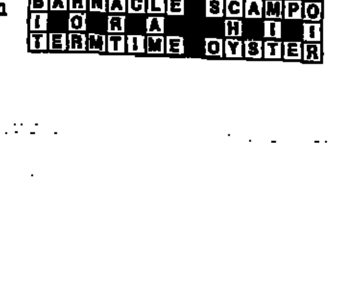
No.9,076 Set by VIXEN



ACROSS
1 Transport in the soup? (5-3)
5 "Money is like muck, not good except it be —", so Bacon wrote (6)
9 Tiles are made in such workshops (8)
10 Many, if retired, get to seem restless (6)
12 Sort of paint responsible for illness (9)
13 An American novelist – or maybe two (5)
14 Refuse from the garden yields excellent compost (4)
16 Satisfied constituents (7)
19 The odd components are sent from the Orient (7)
21 Very repetitive – only just tolerable (2-2)
24 *Gave a hand all round* (5)
25 Cheered an ensemble, being a fan (9)
27 Scholars Edward thrashed (6)
28 The current rating (8)
29 This man's a high-flier – a high-minded individual (6)
30 With the old king even the French is most colourful! (8)

DOWN
1 Bearing on readily available drink (6)
2 There's no overcrowded town in Denmark (6)
3 Run through a thousand in backing iron production (5)
4 Degenerate taking a prize (7)
6 Gripes about sound and pictures (9)
7 Critical in the extreme, though deeply impressed (8)
8 Set off for school, filling in time (8)
11 Cold anger upset him (4)
15 Appearing before the court the head is upstanding (9)
17 Bread and ale together can be so easy to digest (8)
18 Criminal beasts generally favoured (8)
20 Well-nigh parsimonious (4)
21 The guy working quietly according to plan (7)
22 A tenant in time sees certain material advantages (6)
23 Object to 29's organisation (5)
26 Set about the first woman *magistrate!* (5)

Solution 9,075



INTERNATIONAL CAPITAL MARKETS

Bunds hit by money supply data

By Samer Iskandar in London and Lisa Bransten in New York

European markets weakened in the wake of bunds after the release of slightly disappointing German money supply data. Liffe's June bund future closed at 96.70, down 0.20.

The M3 monetary aggregate grew by an annualised 11.2 per cent in April, down from 12.3 per cent in March. Although this figure was in line with expectations, some analysts had been hoping for a rate of growth closer to 10 per cent.

Economists at UBS in Frankfurt said the slowdown could nonetheless "serve as justification for the Bundesbank council to [start cutting] the repo rate", perhaps from next Thursday. They forecast a gradual easing process, leading towards 3 per cent by September from 3.30 per cent now.

■ French OATs fell in line with bunds. Matif's June notional future ended the session down 0.34 at 123.32. In the cash market, the 10-year yield spread over bunds remained stable at 2 basis points.

Analysts continued to focus on signs of social unrest and political instability. The French franc weakened slightly against the D-Mark, which dispelled hopes of a unilateral rate cut by the Banque de France after today's meeting of its monetary policy council.

Cades, the government agency in charge of the financing of social security deficits, yesterday chose Caisse des Dépôts and Société Générale as lead managers for a two-tranche bond issue. The maturities will be 2002 and 2007. The amount is expected to be in the range of FFr20bn to FFr35bn.

GOVERNMENT BONDS

■ UK gilts also closed lower after a very quiet session. Liffe's June long gilt future settled at 106¼, down 1/8.

Ms Marie Owens-Thomsen, chief economist at BIP/Dresdner Bank in Paris, is bullish on the UK market. She says gilt prices currently reflect gloomy - but very unlikely - expectations on the political, deficit and inflation fronts. She therefore recommends buying gilts against most other European - as well as US - bonds.

She predicts a tightening of the 10-year spread over bunds to around 160 basis points. At yesterday's closing levels, this spread was down by one basis point at 173 points.

Analysts at Merrill Lynch also consider that "the gilt market offers good longer-term value". They do not rule out a widening of the spread over bunds to around 180 basis points in the run-up to next week's auction of £3bn of 8 per cent gilts due 2021, but would expect such widening to be short-lived.

■ Italian bonds ended a quiet session slightly lower. The presentation of the new government's economic programme came too late in the day to affect the market.

Liffe's June BTP future closed at 115.44, down 0.21. In the cash market, the benchmark 10-year BTP lost 0.25 to close at 100.61, leaving the yield spread over bunds unchanged at 318 basis points.

Observers expect a positive reaction to yesterday's comments confirming the government's commitment to reining-in inflation and public deficits.

Mr Romano Prodi, the new prime minister, also told the Senate he would seek to re-integrate the lira in the European exchange rate mechanism as soon as a mini-budget was approved.

The BTP future reacted positively to the announcements on APT, Liffe's after-hours automated trading system, rising by about one-eighth percentage point from its closing level.

■ Spanish bonds followed bunds to end lower in subdued trading. The June 10-year bono future closed at 98.82, down 0.17. In the cash market, the 8.80 per cent bono due 2006 closed at 97.62, down 0.20.

■ US Treasuries were weaker in quiet trading early yesterday but with prices still in the range they have held for most of this month. Near midday, the benchmark 30-year Treasury was ¼ lower at 88¾ to yield 6.869 per cent and the two-year was down 1/32 at 99½, yielding 6.026 per cent.

The June 30-year bond fell 3/32 to 109¾, but Mr Richard Gilhooly, international bond strategist at Paribas Capital Markets in New York, said the future seemed to have found support near the 109¾ level.

He described trading in the cash market as "lacklustre" and attributed the modest weakness to the declines in European bond markets.

Bonds received some support from a decrease in commodity prices. By early afternoon the Knight Ridder-Commodity Research Bureau commodity index was 0.73 lower at 256.89.

The dollar was little changed against the yen and the D-Mark, changing hands at Y107.01 and DM1.5410 compared with Y107.16 and DM1.5411 late on Tuesday.

Argentina reverses euronote tax move

By David Pilling in Buenos Aires

Argentina has scrapped a controversial law that would have obliged all private-sector euronote placements in bearer form to be converted to non-endorsable, registered form.

The decree, issued in March but applied retroactively to all outstanding bearer certificates, was introduced to crack down on tax avoidance by Argentine citizens, many of whom anonymously lodge money offshore in Argentine companies' eurobonds.

Mr Domingo Cavallo, economy minister, said the law had been intended for share certificates only, but that Congress had "unfortunately" extended the norm to eurobonds.

"Today a decree will be published exempting holders of private bonds from the need to identify themselves," he said.

"I think that the law did not contemplate the situation of old bonds issued in physical form, and underestimated the effect it would have, particularly in Europe," said one local investment banker. "The government did show flexibility in understanding the problem and in trying to fix it, but it doesn't appear to have been well managed."

Mr Cavallo admitted that the original bill, which he said affected 12 companies with outstanding bearer bonds, had created confusion.

News of yesterday's reversal was warmly received by most debt traders, many of whom had been caught unawares by the original legislation.

"We received dozens of phone calls from people trying to figure out what was going on," said one analyst in New York. "Although today's news is positive, I think as a whole it has been a pretty unfortunate incident," he said.

Emerging market deals attract strong demand

By Conner Middelmann

Emerging markets issuers hogged the limelight in the eurobond market yesterday, attracting strong demand from yield-hungry investors around the world.

First off the mark was the Republic of Turkey, whose $300m three-year offering saw such demand that it was increased to $400m - the largest dollar transaction Turkey has ever issued.

Although Turkey's credit ratings have not improved since its three-year dollar deal last September, the pricing on its latest offering was vastly better: the previous deal was launched at a spread of 300 basis points over US Treasuries, while yesterday's bonds were priced at a spread of only 210 basis points.

Joint book-runners J.P. Morgan and UBS reported strong demand from investors in Asia, Europe and the Middle East. "There is widespread demand for short-dated spread product, and Turkey has the added benefit of being an OECD sovereign," said one official. The deal was not marred by political jitters after Ms Tansu Çiller yesterday called for Prime Minister Mesut Yilmaz to resign.

The Republic of Colombia made a similarly successful foray in the dollar market, sparking talk that it, too, might increase its $300m five-year offering today. The bonds will be priced today at 150 basis points over Treasuries, said joint leads Salomon Brothers and SBC Warburg.

Traders reported a solid response on a global basis. Qualified US institutional investors can buy the paper

INTERNATIONAL BONDS

under SEC Rule 144a, but Colombia was keen to target the bulk of the deal at Europe and Asia, since it already has a strong presence in the US.

Although European investors can invest in comparable triple-B credits closer to home, such as Greece or Poland, Colombia's more generous yield spread was a significant attraction for them, dealers said.

Three Colombian parastatals are expected to tap the market this summer, said Mr Clemente del Valle, director of public credit, at a London roadshow.

J. P. Morgan and Salomon Brothers have been appointed to arrange a $250m Rule 144a transaction for Fen, the energy financing agency; Bancoldex, the country's export credit bank, is to issue a Samurai via Nikko; and Ifi, the state-controlled development bank, is likely to issue $100m of bonds.

Bancomext, Mexico's foreign trade bank, launched its first dollar offering since last year's peso crisis, a $350m 10-year Rule 144a offering via Bankers Trust. The spread of 470 basis points over Treasuries was deemed generous. "We had clients who would have paid 465 for it," said a London trader.

Another emerging-markets deal was a $300m structured export note offering for Imexa Export Trust, a vehicle which has the benefit of receivables generated by the sale of steel slabs from Ispat Mexicana to Mitsubishi Corp of Japan.

Elsewhere, Canada confirmed plans to launch a global five-year dollar bond of at least $1bn via Goldman Sachs, Morgan Stanley and RBC Dominion. The issue is expected to be launched today and priced tomorrow at around 14 basis points over Treasuries.

Ford Motor Credit and the Council of Europe are also in the pipeline, with five-year deals of $750m and $500m, respectively.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Republic of Turkey	400	8.25#	99.896R	Jun 1999	0.75R	+210(8¾%-99)	JP Morgan Secs/UBS
Republic of Colombia	300	(a)	(a)R	Jun 2001	0.625R	+150(WI 5yr)	Salomon/SBC Warburg
Imexa Export Trust 96-1(b,l)	300	(b1)	(b1)	May 2003	2.50	+387½(5yr)	CS First Boston
BNCE	250	11.25#	99.177R	May 2006	0.875R	+470(6⅞%-06)	Bankers Trust Intl
PepsiCo(s)	150	6.375	99.821R	Dec 1999	0.225R	+13(6¾%-99)	Deutsche Morgan Grenfell
Den Danske Bank(c)‡	100	(c1)	100.00	Jun 2006	0.564	-	Salomon Brothers Intl
Bear Stearns Companies(d)‡	50	(d1)	99.85R	Jun 2001	0.25R	-	Bear Stearns Intl
YEN							
Audasa★	20bn	3.60	100.00R	Jun 2006	0.325R	-	Nikko Europe
GUILDERS							
Commerzbank O'seas Finance(s)	300	5.375	99.48R	Nov 2001	0.275R	+17½(8¾%-01)	ABN Amro Hoare Govett
DANISH KRONER							
Kommunekredit	400	(e)	101.12	Jul 2001	1.875	-	Den Danske Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★ Unlisted. ‡ Floating-rate note. # Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today. b) Backed by receivables generated by sales of steel slabs from Ispat Mexicana to Mitsubishi Corp. Quarterly coupons. Average life: 5 years. b1) Priced later. c) $200m launched 9/5/96 was increased to $300m. Callable from June 2003 at par. c1) 6-mth Libor +37½bp to June 2003 and +187½bp thereafter. d) $200m launched 20/5/96 was increased to $250m. Callable from Dec 1997 at par. d1) 3-mth Libor +25bp. e) 5.25% to 17/7/99 and 8.25% thereafter. l) Long 1st coupon. s) Short 1st coupon.

ADR issue for Korea Mobile Telecom

By John Burton in Seoul

Korea Mobile Telecom (KMT) will become the third South Korean company to be listed on the New York Stock Exchange when it makes a $375m American depositary receipt issue in July.

Korea's main cellular phone operator has been a perennial favourite among foreign investors on the Seoul bourse because of its high profit margins, with net earnings of Won181bn ($232m) on sales of Won1,322bn in 1995.

Its shares closed in Seoul yesterday up Won15,000 at Won765,000.

The offering will be the single largest issue by a Korean company to date on the NYSE, exceeding the $300m ADR issues by Pohang Iron & Steel (Posco) and Korea Electric Power (Kepco) in 1994. KMT, which is controlled by the Sunkyong group, will also be the first Korean company outside the state sector to gain a listing on the NYSE.

Other Korean companies, such as Samsung Electronics, have encountered difficulties in being listed on the NYSE because of its requirement that US GAAP accounting standards are accepted.

Most Korean companies instead have issued global depositary receipts in the European markets, where accounting rules are more flexible.

The ADR issue by KMT will be based on $150m of new shares to be issued at the end of June and another $215m in shares to be acquired by Citibank from the US-based Tiger Management fund.

It will be the first time that a foreign depositary agency will have acquired the outstanding shares of a Korean company to issue ADRs against the underlying shares. Goldman Sachs will be the lead manager of the KMT issue.

KMT is raising capital abroad to help finance the replacement of its analogue cellular phone network with a digital system to compete against its new domestic competitor, Shinsegi Telecom, which began operations last month.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	108.0920	-0.070	8.77	8.77	9.05
Austria		6.125	02/06	97.6300	-0.370	6.46	6.42	6.55
Belgium		7.000	05/06	102.2500	-0.130	6.68	6.69	6.73
Canada *		8.750	12/05	107.2500	-0.420	7.88	7.71	7.76
Denmark		8.000	03/06	104.0000	-0.360	7.40	7.39	7.44
France	BTAN	5.750	03/01	100.7500	-0.250	5.55	5.58	5.72
	OAT	7.250	04/06	105.5400	-0.210	6.47	6.48	6.57
Germany Bund		6.250	04/06	98.5400	-0.230	6.45	6.45	6.48
Ireland		8.000	08/06	102.7400	-0.150	7.59	7.63	7.92
Italy		9.500	02/06	100.6100	-0.250	9.40†	9.54	10.25
Japan	No 140	6.600	06/01	116.9247	-0.170	2.41	2.51	1.96
	No 182	3.000	09/05	98.2479	+0.040	3.25	3.34	3.25
Netherlands		6.000	01/06	97.4600	-0.360	6.36	6.33	6.44
Portugal		11.875	02/05	117.1900	-0.170	8.94	9.05	9.28
Spain		8.800	04/06	97.6200	-0.200	9.16	9.18	9.39
Sweden		6.000	02/05	85.1150	-0.700	8.48	8.41	8.40
UK Gilts		8.000	12/00	102-06	-2/32	7.42	7.36	7.47
		7.500	12/06	96-04	-5/32	8.05	8.05	8.07
		9.000	10/08	106-12	-12/32	8.17	8.15	8.16
US Treasury *		6.875	05/06	101-10	-18/32	6.69	6.34	6.54
		6.000	02/26	88-31	-20/32	6.87	6.84	6.84
ECU (French Govt)		7.500	04/05	103.7800	-0.290	6.91	6.90	7.01

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.07	Two year	6.05
Prime rate	8¼	Two month	5.09	Three year	6.22
Broker loan rate	7	Three month	5.18	Five year	6.43
Fed.funds	5⅜	Six month	5.33	10-year	6.68
Fed.funds at intervention	-	One year	5.56	30-year	6.86

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	123.64	123.32	-0.34	123.68	123.28	122,251	154,219
Sep	122.14	121.84	-0.32	122.16	121.82	2,213	14,201
Dec	120.88	120.60	-0.30	120.88	120.62	887	8,018

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jun	Calls Jul	Calls Sep	Puts Jun	Puts Jul	Puts Sep
120	-	-	-	-	0.21	0.59
121	-	-	-	0.02	0.40	0.90
122	1.38	0.64	1.18	0.05	0.75	1.31
123	0.54	0.27	-	0.20	1.38	-
124	0.10	0.09	0.40	0.76	-	-

Est. vol. total, Calls 14,840 Puts 11,457. Previous day's open int., Calls 147,427 Puts 185,748.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.86	96.70	-0.20	97.02	96.62	184687	159677
Sep	95.97	95.80	-0.19	96.07	95.78	13411	33184

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
9650	0.26	0.28	0.52	0.71	0.06	0.98	1.22	1.41
9700	0.03	0.15	0.35	0.52	0.33	1.35	1.55	1.72
9750	0	0.07	0.22	0.37	0.80	1.77	1.92	2.07

Est. vol. total, Calls 15819 Puts 15000. Previous day's open int., Calls 282875 Puts 208336

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	115.68	115.44	-0.21	115.77	115.30	40207	67118
Sep	115.05	114.80	-0.21	115.05	114.75	594	7797

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11500	0.44	1.72	0	1.92
11550	0	1.49	0.06	2.19
11600	0	1.28	0.56	2.48

Est. vol. total, Calls 3815 Puts 4880. Previous day's open int., Calls 81212 Puts 109830

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	99.11	98.82	-0.16	99.23	98.75	59,651	55,915
Sep	-	98.29	-	-	-	334	1,154

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106-16	106-08	-0-06	106-16	106-03	60979	102781
Sep	105-15	105-09	-0-06	105-15	105-04	13341	21061

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
106	0-22	0-36	0-62	1-15	0-06	1-18	1-44	1-61
107	0-02	0-17	0-40	0-54	0-50	1-63	2-22	2-36
108	0	0-07	0-22	0-35	1-48	2-53	3-04	3-17

Est. vol. total, Calls 3028 Puts 4052. Previous day's open int., Calls 47345 Puts 45612

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	91.40	91.14	-0.24	91.40	91.00	5,105	6,293
Sep	90.72	90.70	-0.24	90.72	90.72	500	20

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	109-17	109-14	-0-04	109-23	109-10	226,083	343,730
Sep	109-00	108-28	-0-04	109-08	108-24	38,228	62,132
Dec	108-14	108-11	-0-04	108-14	108-08	256	8,060

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	119.37			119.47	119.33	1597	0
Sep	118.31			118.41	118.25	2671	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed May 22	Day's change %	Tue May 21	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	121.37	-0.07	121.46	2.30	3.78
2 5-15 years (19)	145.50	-0.25	145.88	2.69	4.09
3 Over 15 years (9)	160.67	-0.22	161.02	4.06	3.48
4 Irredeemables (6)	179.96	-0.75	181.32	0.86	6.12
5 All stocks (56)	141.09	-0.19	141.35	2.80	3.92

	Low coupon yield May 22	May 21	Yr. ago	Medium coupon yield May 22	May 21	Yr. ago	High coupon yield May 22	May 21	Yr. ago
5 yrs	7.51	7.46	7.67	7.55	7.52	7.76	7.65	7.60	7.56
15 yrs	8.23	8.20	7.88	8.25	8.21	7.92	8.34	8.28	8.14
20 yrs	8.31	8.27	7.89	8.31	8.29	7.92	8.38	8.32	8.08
Irred.†	8.36	8.29	7.98						

Index-linked	Wed May 22	Day's change %	Tue May 21	Accrued interest	xd adj. ytd
6 Up to 5 years (1)	196.26	-0.02	196.30	0.63	4.43
7 Over 5 years (11)	185.72	-0.18	186.06	1.16	1.81
8 All stocks (12)	185.83	-0.18	186.17	1.15	1.86

	Inflation 5% May 22	May 21	Yr. ago	Inflation 10% May 22	May 21	Yr. ago
Up to 5 yrs	2.83	2.81	3.05	1.34	1.31	1.46
Over 5 yrs	3.82	3.80	3.51	3.60	3.59	3.31

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	May 22	May 21	May 20	May 17	May 16	Yr ago	High*	Low*
Govt. Secs. (UK)	92.29	92.65	92.53	92.53	92.29	94.57	96.34	91.59
Fixed interest	112.10	112.20	112.32	111.69	111.58	113.10	115.23	110.74

GILT EDGED ACTIVITY INDICES

	May 21	May 20	May 17	May 16	May 15
Gilt Edged bargains	128.1	97.8	83.8	94.6	119.3
5-day average	103.5	92.2	89.7	93.3	96.9

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)							
Treas 2pc 1996		0.92	6.00	218⅛	-1/16	218¾	210
Conversion 10pc 1996		9.82	6.03	101 27/32	-1/32	104 11/16	101 27/32
Treas 13¼pc 1997‡‡		12.86	6.09	104 13/16	-⅛	109 5/16	104 13/16
Exch 10½pc 1997		10.18	6.11	103 3/32	-⅛	105 13/16	103 3/32
Treas Cnv 7pc 1997‡‡		6.95	6.34	100 23/32	-⅛	101 13/16	98⅜
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Treas 7½pc 2006‡‡		7.80	8.04	96 5/32	-7/32	101 19/32	94 13/16
Treas 7¾pc 2006‡‡		7.94	8.08	97⅝	-¼	103¼	94 1/16
Treas 8pc 2002-6‡‡		8.03	8.08	99⅝	-½	104 11/16	95 3/16
Treas 11¾pc 2003-7		9.84	7.92	119 11/32	-13/32	125 3/32	117½
Treas 8½pc 2007 ‡‡		8.28	8.12	102 11/16	-¼	108 7/32	99⅝
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
	(b)						
4⅝pc '98‡‡	(135.6)	1.35	2.84	112 13/16	-1/16	113 3/16	110 7/16
2½pc '01	(78.3)	3.12	3.68	178⅝	-1/16	180 1/16	173 3/4
2½pc '03	(78.8)	3.31	3.73	174¼	-⅛	176 3/16	169 13/16
4⅝pc '04‡‡	(135.6)	3.38	3.75	114¼	-⅛	116 13/16	112 13/16
2pc '06	(69.5)	3.47	3.76	181 13/16	-3/16	185 11/16	176⅞
[illegible]							

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on May 22

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅛	97⅜	-⅜	7.03
ABN Amro Bank 7¼ 05	1000	100¼	100⅝	-⅜	7.34
African Dev Bk 7⅜ 23	500	96¼	96⅝	-⅝	7.71
Alberta Province 7⅜ 98	1000	102⅝	102⅞	-⅛	6.41
[illegible]					
Sweden 8 97	2500	105⅞	105⅞		3.74
United Kingdom 7¼ 97	5500	104¾	104¾		3.64
Volkswagen Intl Fin 7 03	1000	103	103⅜	-⅛	6.45
World Bank 0 15	2000	30	30¼	-⅛	6.34
World Bank 5⅞ 03	3000	99½	99⅝	-⅛	5.97
[illegible]					
Abbey Natl Treasury 8 03 £	1000	99	99¼	-⅛	8.19
British Land 8⅞ 23 £	150	89⅛	89½	-¼	10.30
Denmark 6¾ 98 £	800	99½	99⅝	-⅛	6.90
Depfa Finance 7⅛ 03 £	500	93¾	94	-¼	8.27
[illegible]					

SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CURRENCIES AND MONEY

MARKETS REPORT

Sterling shrugs off European beef squabble

By Philip Gawith

Sterling yesterday finished the day slightly weaker, but it was the victim of a firmer D-Mark rather than independent weakness flowing from Britain's dispute with its EU partners over the export ban on British beef.

The D-Mark rallied on slightly firmer than expected German M3 figures, and the Ifo business confidence index which indicated that the German economy might be gathering momentum. This put back hopes of any near term easing in German interest rates.

The dollar closed in London at DM1.5387, from DM1.5415 and at Y106.950 from Y107.06.

Sterling finished at DM2.3236, from DM2.3331. Against the dollar it closed at $1.5102, from $1.5136. The trade weighted index closed at 84.6, from 84.8.

Within Europe the Finnish markka traded slightly easier at FM3.0785 per D-Mark, from FM3.0630. This followed speculation that it might enter the ERM at about FM3.10/15 to the D-Mark, a level higher than previously thought.

■ There was some surprise at sterling's muted response to the escalation of the beef crisis. Mr Steve Hannah, head of research at IBJ International in London, said this could be seen as "a measure of how credible the threat really is."

"The market really doesn't see this as a sustainable position. I don't think anybody believes there will be real dislocation."

Not all observers take such a sanguine view of the beef scare. Analysts at Independent Strategy in London argue that the it will affect European integration with negative consequences, inter alia, for "Southern Comfort", or high-yielding, currencies.

They reason that the UK *could* prevent the introduction of ERM-2, which requires a unanimous vote. "This means that French concerns about competitive devaluations by the Southern Comfort countries will grow. Then the SCC will have no new EMU waiting room to occupy before joining the EMU club. This will leave their currencies and interest rates vulnerable to one of three events: rising cynicism about EMU; a strengthening D-Mark; and a decisive turn in global short-term interest rates. We expect all three to happen."

Mr Ian Harnett, UK group chief economist at SocGen in London, said sterling had responded better to the news than gilts which fell sharply on Tuesday afternoon. As an aside, he noted how much more stable UK monetary policy (assessed using the old Treasury 4:1 rule – that a 4 per cent move in the currency is equivalent to a one percentage point move in short term interest rates) had been since sterling had left the ERM.

"The trade-off between exchange rate changes and interest rate changes has resulted in a much greater stability in monetary policy since we left the ERM than when we were in it," he said.

■ The April Ifo business climate index in Germany rose to 91.9 from 90.4 in April, only the third rise in 17 months. This lent support to the D-Mark, although analysts at Salomon Brothers in London believe the expectation of higher rates may be misplaced.

"The process of monetary easing since 1992 is not far from completion, but the authorities probably still have scope for a modest decline of the repo rate down to about three per cent in coming months.

In particular, prospects for new fiscal tightening in 1997 should reassure the Bundesbank that the anticipated pick-up of economic momentum will not result in any sustained period of above-trend growth, even next year."

The main risk to this view would be a sharp weakening of the D-Mark.

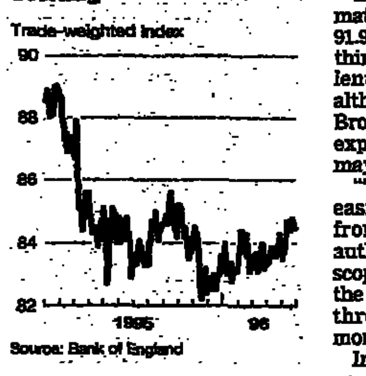
■ Mr Avinash Persaud, currency strategist at JP Morgan in London, believes that while policy-makers may wish to see a stronger dollar against the D-Mark, "they are less keen to see further weakness of the D-Mark within Europe."

He notes that the D-Mark has already fallen by 26 per cent against the Italian lira since March 1995 "and if Italy wants to be eligible for ERM entry it has to show greater stability in the lira rather than further and perhaps unsustainable strength."

Some observers believe the Bank of Italy has already been *active on both sides of the rate.* "They seem to be building up D-Mark reserves with entry in mind," said one economist. "It is the ideal time to do it, with the wind behind them."

Sterling

Trade-weighted index



Source: Bank of England

■ **Pound in New York**

May 20	—Latest—	– Prev. close –
£ spot	1.5010	1.5130
1 mth	1.5002	1.5122
3 mth	1.4987	1.5107
1 yr	1.4935	1.5045

■ **OTHER CURRENCIES**

May 22	£	$
Czech Rp	41.6750 - 41.7094	27.6030 - 27.6130
Hungary	225.187 - 225.442	149.150 - 149.250
Iran	4531.50 - 4529.40	3000.00 - 3000.00
Kuwait	0.4528 - 0.4538	0.2999 - 0.3004
Poland	4.0561 - 4.0610	2.6865 - 2.6885
Russia	7561.08 - 7567.61	5008.00 - 5010.00
U.A.E.	5.5446 - 5.5476	3.6724 - 3.6727

POUND SPOT FORWARD AGAINST THE POUND

May 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.3563	-0.0607	468 - 658	16.4325	16.3450	16.3251	2.3	16.2501	2.6	-	-	104.7
Belgium	(BFr)	47.7948	-0.156	761 - 134	48.0110	47.7660	47.6898	2.6	47.4798	2.6	46.4598	2.8	106.6
Denmark	(DKr)	8.9749	-0.0323	705 - 792	9.0125	8.9703	8.9595	2.1	8.9267	2.2	8.7834	2.1	107.3
Finland	(FM)	7.1688	+0.0194	614 - 761	7.1840	7.1410	7.1644	0.7	7.1563	0.7	-	-	83.0
France	(FFr)	7.8714	-0.0241	677 - 751	7.9012	7.8675	7.8573	2.1	7.8294	2.1	7.6965	2.2	108.9
Germany	(DM)	2.3236	-0.0095	225 - 247	2.3356	2.3223	2.3186	2.6	2.3082	2.7	2.2578	2.8	108.1
Greece	(Dr)	367.842	-0.796	682 - 003	369.065	367.391	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9692	-0.0001	684 - 700	0.9712	0.9675	0.9684	1.0	0.9671	0.9	0.9603	0.9	98.6
Italy	(L)	2352.81	-5.07	151 - 411	2363.27	2350.22	2361.06	-4.2	2376.16	-4.0	2428.86	-3.2	76.3
Luxembourg	(LFr)	47.7948	-0.156	761 - 134	48.0110	47.7660	47.6898	2.6	47.4798	2.6	46.5598	2.6	106.6
Netherlands	(Fl)	2.6001	-0.0086	990 - 011	2.6103	2.5962	2.5938	2.9	2.581	2.9	2.5219	3.0	105.8
Norway	(NKr)	9.9603	-0.0436	523 - 682	10.0074	9.9515	9.9513	1.1	9.9322	1.1	9.8365	1.2	98.5
Portugal	(Es)	238.581	-0.885	488 - 674	240.030	238.456	239.006	-2.1	239.911	-2.2	-	-	94.8
Spain	(Pta)	193.684	-0.497	602 - 767	194.385	193.591	193.994	-1.9	194.489	-1.7	196.144	-1.3	81.3
Sweden	(SKr)	10.3021	+0.0188	931 - 110	10.3121	10.2654	10.3033	-0.1	10.3049	-0.1	10.3072	0.0	88.7
Switzerland	(SFr)	1.9111	-0.0053	099 - 123	1.9227	1.9097	1.9049	3.9	1.8921	4.0	1.8344	4.0	110.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.6
Ecu	-	1.2326	-0.0053	320 - 331	1.2380	1.2319	1.2313	1.3	1.2283	1.4	1.2149	1.4	-
SDR†	-	1.050200	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5091	-0.0034	078 - 103	1.5132	1.5073	-	-	-	-	-	-	-
Brazil	(R$)	1.5033	-0.003	027 - 039	1.5130	1.5007	-	-	-	-	-	-	-
Canada	(C$)	2.0729	-0.0024	720 - 738	2.0762	2.0690	2.0722	0.4	2.0686	0.8	2.0605	0.6	84.0
Mexico	(New Peso)	11.1533	-0.0402	469 - 596	11.1788	11.1359	-	-	-	-	-	-	-
USA	($)	1.5102	-0.0034	098 - 105	1.5134	1.5075	1.5094	0.6	1.5078	0.6	1.5026	0.5	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.9062	-0.0024	051 - 072	1.9073	1.9009	1.9067	-1.6	1.9138	-1.6	1.939	-1.7	93.6
Hong Kong	(HK$)	11.6811	-0.027	780 - 842	11.7066	11.6610	11.673	0.8	11.6614	0.7	11.6416	0.3	-
India	(Rs)	52.7044	-0.1186	146 - 941	53.0950	52.3130	-	-	-	-	-	-	-
Israel	(Shk)	4.9209	-0.0312	164 - 254	4.9587	4.9155	-	-	-	-	-	-	-
Japan	(Y)	161.511	-0.53	398 - 624	162.550	161.320	160.786	5.4	159.296	5.5	152.881	5.3	137.6
Malaysia	(M$)	3.7653	-0.008	636 - 669	3.7790	3.7593	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2113	-0.0059	096 - 129	2.2187	2.2094	2.2163	-2.7	2.2258	-2.6	2.2596	-2.2	107.3
Philippines	(Peso)	39.4829	-0.0965	209 - 449	39.5450	39.4205	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6636	-0.0129	621 - 651	5.6757	5.6539	-	-	-	-	-	-	-
Singapore	(S$)	2.1271	-0.006	258 - 283	2.1324	2.1241	-	-	-	-	-	-	-
South Africa	(R)	6.5730	+0.0193	639 - 820	6.5935	6.5552	-	-	-	-	-	-	-
South Korea	(Won)	1179.88	-0.76	915 - 061	1183.14	1178.26	-	-	-	-	-	-	-
Taiwan	(T$)	41.2868	-0.0589	734 - 001	41.3654	41.2161	-	-	-	-	-	-	-
Thailand	(Bt)	38.2219	-0.08	979 - 459	38.3170	38.1500	-	-	-	-	-	-	-

† Rates for May 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.8309	-0.0158	271 - 347	10.8710	10.8250	10.8114	2.2	10.7694	2.3	10.5858	2.3	104.5
Belgium	(BFr)	31.6490	-0.032	440 - 540	31.7420	31.6300	31.594	2.1	31.479	2.1	30.939	2.2	108.4
Denmark	(DKr)	5.9430	-0.008	415 - 445	5.9625	5.9380	5.9355	1.5	5.9185	1.6	5.8495	1.6	106.6
Finland	(FM)	4.7471	+0.0235	433 - 508	4.7555	4.7248	4.7406	1.6	4.7296	1.6	4.6831	1.3	82.3
France	(FFr)	5.2124	-0.0041	111 - 136	5.2295	5.2102	5.2054	1.6	5.1912	1.6	5.1234	1.7	108.4
Germany	(DM)	1.5387	-0.0028	383 - 390	1.5455	1.5377	1.5362	1.9	1.5304	2.1	1.5022	2.4	107.6
Greece	(Dr)	243.580	+0.02	530 - 630	244.280	243.330	245.255	-8.3	248.605	-8.3	262.58	-7.8	66.7
Ireland	(I£)	1.5582	-0.0033	572 - 591	1.5615	1.5548	1.5588	-0.4	1.5596	-0.4	1.5512	0.5	-
Italy	(L)	1558.00	+0.15	750 - 850	1564.25	1556.86	1564.05	-4.7	1575.8	-4.5	1616.5	-3.8	75.9
Luxembourg	(LFr)	31.6490	-0.032	440 - 540	31.7420	31.6300	31.596	2.0	31.4895	2.0	31.009	2.0	108.4
Netherlands	(Fl)	1.7217	-0.0019	214 - 220	1.7279	1.7204	1.7184	2.3	1.7112	2.4	1.6795	2.5	106.5
Norway	(NKr)	6.5956	-0.014	918 - 993	6.6195	6.5900	6.5926	0.5	6.5871	0.5	6.5505	0.7	97.6
Portugal	(Es)	157.985	-0.23	960 - 010	158.960	157.880	158.3	-2.4	158.89	-2.3	161.035	-1.9	94.7
Spain	(Pta)	128.255	-0.04	230 - 280	128.550	128.140	128.505	-2.3	128.935	-2.1	130.475	-1.7	80.8
Sweden	(SKr)	6.8219	+0.0278	175 - 262	6.8323	6.7896	6.833	-1.9	6.8504	-1.7	6.8924	-1.0	88.8
Switzerland	(SFr)	1.2655	-0.0006	650 - 660	1.2723	1.2640	1.262	3.4	1.2545	3.5	1.221	3.5	110.5
UK	(£)	1.5102	-0.0034	098 - 105	1.5134	1.5075	1.5094	0.6	1.5078	0.6	1.5026	0.5	88.9
Ecu	-	1.2253	+0.0025	250 - 255	1.2255	1.2200	1.2261	-0.7	1.2277	-0.8	1.2368	-0.9	-
SDR†	-	0.69390	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9993	-	987 - 999	0.9999	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	0.9955	+0.0003	953 - 956	0.9999	0.9950	-	-	-	-	-	-	-
Canada	(C$)	1.3727	+0.0015	724 - 729	1.3730	1.3719	1.3725	0.1	1.3728	0.0	1.3756	-0.2	83.3
Mexico	(New Peso)	7.3855	-0.01	830 - 880	7.3900	7.3700	7.547	-26.2	7.732	-18.8	9.4955	-28.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.6
Pacific/Middle East/Africa													
Australia	(A$)	1.2621	+0.0012	618 - 626	1.2630	1.2600	1.2641	-1.9	1.2678	-1.7	1.2863	-1.9	95.6
Hong Kong	(HK$)	7.7351	-0.0004	348 - 353	7.7355	7.7345	7.7358	-0.1	7.7376	-0.1	7.7646	-0.4	-
India	(Rs)	34.9000	-	500 - 500	35.1800	34.6200	35.05	-5.2	35.355	-5.2	36.825	-5.5	-
Israel	(Shk)	3.2588	-0.0132	563 - 608	3.2600	3.2540	-	-	-	-	-	-	-
Japan	(Y)	106.950	-0.11	900 - 000	107.450	106.880	106.505	5.0	105.605	5.0	101.865	4.8	138.1
Malaysia	(M$)	2.4933	+0.0003	928 - 938	2.4985	2.4925	2.4942	-0.4	2.5003	-1.1	2.5238	-1.2	-
New Zealand	(NZ$)	1.4641	-0.0007	635 - 650	1.4656	1.4630	1.4672	-2.5	1.473	-2.4	1.4976	-2.3	-
Philippines	(Peso)	26.1450	-0.005	100 - 800	26.1800	26.1100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-0.0001	502 - 505	3.7505	3.7502	3.7508	-0.1	3.7515	-0.1	3.7549	-0.1	-
Singapore	(S$)	1.4085	-0.0008	080 - 090	1.4100	1.4079	1.405	3.0	1.399	2.7	1.3735	2.5	-
South Africa	(R)	4.3525	+0.0225	475 - 575	4.3580	4.3325	4.3812	-7.9	4.4328	-7.4	4.656	-7.0	-
South Korea	(Won)	781.300	+1.25	000 - 600	782.500	780.300	-	-	-	-	-	-	-
Taiwan	(T$)	27.3395	+0.0225	370 - 420	27.3420	27.3330	27.3595	-0.9	27.3995	-0.9	-	-	-
Thailand	(Bt)	25.3100	+0.004	000 - 200	25.3250	25.2999	25.4087	-4.7	25.6125	-4.8	26.495	-4.7	-

† SDR rate per $ for May 20. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 20: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

May 22	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.70	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.70	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.25
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.02	5.05	5.21	5.55	-	-	-
week ago	-	5.02	5.11	5.24	5.56	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.04	96.00	-0.03	96.06	95.98	20,266	50,041
Sep	96.07	96.02	-0.04	96.08	96.01	11,869	56,364
Dec	95.96	95.91	-0.04	95.97	95.91	6,462	30,889

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.74	96.73	-0.01	96.75	96.71	24873	176511
Sep	96.79	96.75	-0.02	96.80	96.74	40342	236862
Dec	96.61	96.58	-0.02	96.63	96.56	37923	208518
Mar	96.35	96.29	-0.04	96.36	96.27	36204	156930

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.43	91.35	-0.09	91.44	91.33	7996	56108
Sep	92.01	91.95	-0.09	92.05	91.93	7839	35973
Dec	92.22	92.15	-0.05	92.22	92.13	2608	28042
Mar	92.19	92.13	-0.05	92.19	92.13	873	10480

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.83	97.78	-0.06	97.84	97.73	5867	21457
Sep	97.79	97.72	-0.09	97.81	97.68	9318	30093
Dec	97.57	97.51	-0.09	97.57	97.48	2078	11186
Mar	97.29	97.24	-0.10	97.29	97.22	476	5713

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	99.37	99.36	-0.02	99.37	99.36	33	-
Sep	99.14	99.15	-0.01	99.14	99.14	170	-
Dec	98.86	98.86	-0.01	98.86	98.85	1195	-

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.66	95.64	-0.02	95.67	95.64	1040	9693
Sep	95.78	95.74	-0.02	95.78	95.73	419	4658
Dec	95.63	95.61	-0.02	95.65	95.60	323	3676
Mar	95.41	95.40	-0.02	95.41	95.40	146	2352

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.78	16.47	4.863	2.028	4924	5.440	20.84	499.3	405.3	21.55	3.999	2.092	4.338	3.160	337.9	2.580
Denmark	(DKr)	53.25	10	8.770	2.589	1.080	2622	2.897	11.10	265.8	215.8	11.48	2.129	1.114	2.310	1.682	179.8	1.374
France	(FFr)	60.72	11.40	10	2.953	1.231	2989	3.303	12.65	303.1	246.1	13.09	2.428	1.270	2.634	1.918	205.2	1.567
Germany	(DM)	20.56	3.862	3.387	1	0.417	1012	1.119	4.286	102.7	83.35	4.432	0.822	0.430	0.892	0.650	69.49	0.531
Ireland	(I£)	49.32	9.262	8.123	2.398	1	2428	2.683	10.28	246.2	199.9	10.63	1.972	1.032	2.139	1.558	166.7	1.272
Italy	(L)	2.031	0.381	0.335	0.099	0.041	100.	0.110	0.423	10.14	8.232	0.438	0.081	0.042	0.088	0.064	6.864	0.052
Netherlands	(Fl)	18.38	3.452	3.027	0.894	0.373	905.0	1	3.831	91.77	74.50	3.962	0.735	0.385	0.797	0.581	62.12	0.474
Norway	(NKr)	47.98	9.011	7.903	2.333	0.973	2362	2.610	10	239.6	194.5	10.34	1.919	1.004	2.081	1.516	162.1	1.238
Portugal	(Es)	20.03	3.762	3.299	0.974	0.406	986.2	1.090	4.174	100.	81.18	4.317	0.801	0.419	0.869	0.633	67.68	0.517
Spain	(Pta)	24.67	4.633	4.064	1.200	0.500	1215	1.342	5.142	123.2	100.	5.318	0.986	0.516	1.070	0.780	83.36	0.637
Sweden	(SKr)	46.40	8.714	7.642	2.256	0.941	2284	2.524	9.670	231.7	188.1	10	1.855	0.971	2.013	1.466	156.8	1.197
Switzerland	(SFr)	25.01	4.698	4.119	1.216	0.507	1231	1.361	5.212	124.9	101.4	5.390	1	0.523	1.085	0.790	84.51	0.645
UK	(£)	47.79	8.975	7.871	2.324	0.969	2353	2.600	9.960	238.6	193.7	10.30	1.911	1	2.073	1.510	161.5	1.233
Canada	(C$)	23.05	4.329	3.797	1.121	0.467	1135	1.254	4.805	115.1	93.44	4.969	0.922	0.482	1	0.728	77.91	0.595
US	($)	31.65	5.944	5.213	1.539	0.642	1558	1.722	6.596	158.0	128.3	6.821	1.266	0.662	1.373	1	107.0	0.817
Japan	(Y)	29.59	5.557	4.874	1.439	0.600	1457	1.610	6.167	147.7	119.9	6.378	1.183	0.619	1.284	0.935	100.	0.763
Ecu		38.76	7.279	6.384	1.885	0.786	1908	2.108	8.078	193.5	157.1	8.354	1.550	0.811	1.681	1.225	131.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6494	0.6493	+0.0005	0.6500	0.6484	28,170	81,438
Sep	0.6485	0.6532	+0.0009	0.6532	0.6485	1,170	4,760
Dec	-	0.6568	+0.0005	0.6568	-	146	1,513

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7887	0.7895	+0.0015	0.7908	0.7882	17,698	44,663
Sep	0.7950	0.7958	+0.0014	0.7970	0.7950	491	3,253
Dec	0.8030	0.8030	+0.0019	0.8030	0.8030	8	773

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9365	0.9368	+0.0001	0.9389	0.9342	12,774	69,162
Sep	0.9490	0.9484	+0.0003	0.9491	0.9484	806	3,632
Dec	-	0.9597	-	-	-	142	2,580

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5120	1.5092	-0.0020	1.5130	1.5108	5,707	46,545
Sep	1.5100	1.5080	-0.0012	1.5100	1.5056	336	687
Dec	1.5076	1.5060	-0.0016	1.5076	1.5050	1	37

UK INTEREST RATES

LONDON MONEY RATES

May 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 5	6⅛ - 5¾	6⅛ - 5¾	6⅛ - 6	6⅛ - 6⅛	6⅞ - 6⅝
Sterling CDs	-	-	6⅛ - 5¾	6⅛ - 5¾	6⅛ - 6	6⅞ - 6⅝
Treasury Bills	-	-	5¾ - 5⅞	5¾ - 5¾	-	-
Bank Bills	-	-	5¾ - 5⅞	5⅞ - 5¾	5⅞ - 5¾	-
Local authority deps.	6⅛ - 5¾	6 - 5⅞	6⅛ - 5¾	6⅛ - 5¾	6⅛ - 5¾	6⅛ - 6⅛
Discount Market deps	6⅛ - 5⅞	6 - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on May 17, 5.8155pc. ECGD fixed rate Stg. Export Finance. Make up day Apr 30, 1996. Agreed rate for period May 26, 1996 to Jun 25, 1996, Schemes II & III 7.33pc. Reference rate for period Mar 30, 1996 to Apr 30, 1996, Schemes IV & V 6.079pc. Finance House Base Rate 6.5pc from May 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.90	93.90	-0.01	93.91	93.89	11069	71580
Sep	93.81	93.81	-0.01	93.82	93.79	15945	57871
Dec	93.59	93.58	-0.01	93.60	93.55	13558	67467
Mar	93.26	93.24	-0.04	93.27	93.22	10875	46505
Jun	92.89	92.87	-0.04	92.90	92.85	3306	37913

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9375	0.16	0.18	0.18	0.01	0.12	0.35
9400	0.02	0.06	0.10	0.12	0.25	0.52
9425	0	0.02	0.05	0.35	0.46	0.72

Est. vol. total, Calls 1672 Puts 2047. Previous day's open int., Calls 151425 Puts 123799

EMS EUROPEAN CURRENCY UNIT RATES

May 22	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.218	-0.087	-2.02	3.44	14
Netherlands	2.15214	2.13912	+0.00074	-0.60	1.97	4
Belgium	39.3960	39.3144	-0.0152	-0.21	1.57	2
Germany	1.91007	1.91267	-0.0009	0.14	1.22	-1
Austria	13.4383	13.4588	-0.0063	0.15	1.20	-1
Portugal	195.792	196.243	-0.104	0.23	1.12	-2
Ireland	0.792214	0.796193	+0.000649	0.50	0.86	-3
France	6.40608	6.47629	-0.00054	1.10	0.26	-8
Denmark	7.28580	7.38455	-0.00263	1.36	0.00	-9
NON ERM MEMBERS						
Greece	292.867	302.492	-0.104	3.29	-1.87	-
Italy	2106.15	1936.11	+2.98	-8.07	10.28	-
UK	0.786652	0.821333	+0.000594	4.41	-2.92	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.490	2.17	2.43	2.74	0.03	0.36	0.79
1.500	1.34	1.72	2.15	0.21	0.65	1.15
1.510	0.69	1.14	1.60	0.55	1.08	1.59
1.520	0.28	0.71	1.16	1.14	1.63	2.15
1.530	0.06	0.40	0.81	1.92	2.32	2.74

Previous day's vol., Calls 3,879 Puts 5,474 . Prev. day's open int., Calls 170,854 Puts 189,749

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.51	94.50	-0.01	94.51	94.50	38,773	367,111
Sep	94.32	94.32	-0.01	94.33	94.30	34,478	359,073
Dec	94.03	94.02	-0.02	94.05	94.01	68,744	368,152

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.98	94.97	-0.01	94.98	94.97	171	9,239
Sep	94.79	94.79	-0.01	94.79	94.79	46	5,324
Dec	-	94.59	-0.01	-	94.59	33	1,205

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9650	0.24	0.27	0.29	0.30	0.01	0.02	0.04	0.05
9675	0.03	0.09	0.11	0.13	0.05	0.09	0.11	0.13
9700	0.01	0.02	0.03	0.04	0.28	0.27	0.28	0.29

Est. vol. total, Calls 5430 Puts 6635. Previous day's open int., Calls 360928 Puts 382355

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9800	0.02	0.08	0.10	0.24	0.36	0.59
9825	0	0.04	0.06	0.47	0.57	0.80

Est. vol. total, Calls 100 Puts 700. Previous day's open int., Calls 8540 Puts 3047

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9125	0.18	0.78	1.03	0.08	0.07	0.13
9150	0.06	0.57	0.83	0.21	0.11	0.18
9175	0.02	0.38	0.65	0.42	0.17	0.25

Est. vol. total, Calls 505 Puts 1159. Previous day's open int., Calls 42081 Puts 25661

BASE LENDING RATES

	%		%		%		%
Adam & Company	6.00	Barclays Bank	6.00	Financial & Gen Bank	7.00	•Leopold Joseph & Sons	6.00
Allied Trust Bank	6.00	Bnl Bk of Mid East	6.00	•Robert Fleming & Co	6.00	Lloyds Bank	6.00
AIB Bank	6.00	•Brown Shipley & Co Ltd	6.00	Girobank	6.00	Meghraj Bank Ltd	6.00
•Henry Ansbacher	6.00	Citibank NA	6.00	•Guinness Mahon	6.00	Midland Bank	6.00
Bank of Baroda	6.00	Clydesdale Bank	6.00	Habib Bank AG Zurich	6.00	•Mount Credit Corp	6.00
Banco Bilbao Vizcaya	6.00	The Co-operative Bank	6.00	•Hambros Bank	6.00	NatWestminster	6.00
Bank of Cyprus	6.00	Coutts & Co	6.00	Heritable & Gen Inv Bk	6.00	•Rea Brothers	6.00
Bank of Ireland	6.00	Credit Lyonnais	6.00	•Hill Samuel	6.00	Royal Bk of Scotland	6.00
Bank of India	6.00	Cyprus Popular Bank	6.00	C. Hoare & Co	6.00	•Singer & Friedlander	6.00
Bank of Scotland	6.00	Duncan Lawrie	6.00	Hongkong & Shanghai	6.00	•Smith & Williamson Secs	6.00
		Exeter Bank Limited	7.00	Julian Hodge Bank	6.00	TSB	6.00

United Bank of Kuwait 6.00; Unity Trust Bank Plc 6.00; Western Trust 6.00; Whiteaway Laidlaw 6.00; Yorkshire Bank 6.00

• Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	♣WK□	479xd	-6	566	476½	4,988	6.2	18.1
Bulmer (HP)		594	—	625	430	313.6	2.6	18.8
Burn St Dist		115	-	146	101	68.2	5.4	24.8
Glenmorangie A		633	—	680	600	86.7	2.2	17.8
Grand Met		444	-1½	467	374	9,375	4.4	18.8
Guinness		474	-6	535	435	9,129	3.9	19.5
Highland		373xd	—	466	315	498.8	2.7	17.4
Kirin Y		847½	+9¼	879¼	621	8,921	0.7	32.8
Macallan-Glen		169	—	217	150	197.2	1.1	34.5
Matthew Clark		790	—	792	580	667.6	3.5	-
Merrydown		124	-6	140	68	13.5	2.0	-
Seagram $		£23⅜	-⅛	£26⅛	£17¾	6,396	1.2	-

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		50½	—	58½	50½	8.31	19.8	-
Cater Allen		403	—	525	403	131.4	9.3	6.7
Close Bros		374	+8	392	271½	450.7	3.0	16.6
Garrard & Nat		370	—	472	370	180.9	7.6	11.9
Hambros		236	—	252	180	477.7	4.0	-
7½pc Cv Pf		112	—	117	94½	144.3	8.4	-
King & Shaxson		172	—	173	110	45.4	6.5	13.4
Leopold J		453	—	463	353	24.0	5.2	15.6
Rea Brothers		58	—	67	44	28.0	2.2	27.5
Schroders		1320	-3	1478	1099	1,989	1.5	18.4
N/V		1038	-5	1180	690	456.7	1.9	14.5
Singer & Fried		111xd	—	118	90	219.2	4.5	9.2
[illegible]								

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or −	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£30½	—	£34½	£23½	2,038	2.7	Φ
Barlow	♣†	851½	—	£10⅞	£5⅞	1,318	2.1	–
Gold Flds Prop R		140xd	—	170	130	14.3	6.5	10.2
NK Props.		75	—	88	75	3.01	13.0	–
SASOL	♥	627	—	718	475	3,671	1.9	–
SA Brews		218¾	—	£28½	£17¼	5,822	2.0	Φ
Standard Bank	□	£24½	+¼	£32⅞	£20⅞	2,894	1.6	19.7
Tiger Oats	†	828	—	1270	820	1,233	2.1	15.8
Tongaat-Hulett		875xd	—	1247	865	628.3	2.3	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.7(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Orion Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

Orbis Investment Management Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Royal Bk of Canada G/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

Henderson Crosthwaite Investment Co

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Credit Lyonnais Intl Asset Mgt (HK) Ltd

Ashburton Global Funds Ltd (1200)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

INVESCO International Limited

LUXEMBOURG (SIB RECOGNISED)

Fidelity Funds - Contd.

Sarasin Investment SICAV (a)

LUXEMBOURG (REGULATED)(**)

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Credit Investment Funds - Contd.

Morgan Stanley Sicav

Allied Dunbar International Assce Ltd (z)

Lord Street, Douglas, IoM 01624 661551

CMI Insurance Co Ltd

Professional Investment Consultants

Royal Life International

CS Asset Management

Global Asset Management - Contd.

MD Sass Re/Enterprise International Ltd

Regent Kingpin Capital Management Ltd

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Weak future and pressure on sterling hit shares

By Steve Thompson,
UK Stock Market Editor

Heavy downside pressure on the FT-SE 100 future coupled with a decline in sterling and gilts, in the wake of the hardening UK government stance against the European Union over the ban on British beef exports, left UK equities stranded yesterday.

The prime minister's move to obstruct EU business in retaliation for the beef ban was interpreted by some market observers as heightening the political tension in the UK and overseas. "The worry in the market is that Mr Major may have brought a general election date forward by turning up the heat on Europe," said one dealer.

The political pressures were increasingly evident in the utilities sectors, which are vulnerable to shifts in political trends. One of the market's most powerful broking firms, Kleinwort Benson, drove the sectors lower by some aggressive marketmaking at the outset.

At the close of a difficult day, the FT-SE 100 index was left with a 25.2 loss at 3,764.2. The market's second line stocks were also given a rough ride, with the FT-SE Mid 250 index only just outperforming the 100 and posting a 16.9 fall at 4,512.3.

It was not all bad news for shares, however. The retailing sectors, both general and food, provided a number of outstanding performers, as did brewing.

Bass topped the Footsie performance table, with the shares adding 2.5 per cent in the wake of better than expected interims and an encouraging statement on second half prospects. Hard on the heels of Tuesday's excellent numbers from Marks and Spencer, Kingfisher pleased the market with good first-quarter sales, prompting a good showing from other retailers such as Dixons and Argos. The big food retailers posted good gains after one leading broker adopted a bullish stance on J. Sainsbury.

On the downside, however, the financials and utilities were given a rough ride, with the absence of any of the much rumoured bids causing another day of persistent selling pressure and profit-taking in the banks and insurances.

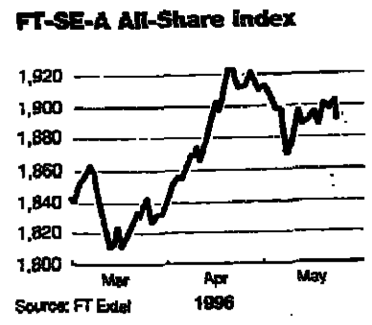
"Any stock with a regulator was given a pasting and the biotech shares ran into a brick wall," noted one marketmaker. In a bruised banking sector, Standard Chartered held up well in the wake of an earnings upgrade by Cazenove, the bank's stockbroker, but NatWest suffered at the hands of its broker.

The FT-SE 100 index was in negative territory from the off, burdened by a poor showing by Wall Street, where the Dow Jones Industrial Average gave up 13 points. With the future trading at a discount to cash all day, marketmakers kept on the downside pressure throughout the session and the Footsie moved progressively lower as the day wore on, only just managing to edge off the day's trough during the final hour of trading.

Sentiment was not helped by a nervous opening by Wall Street during the afternoon. The Dow Jones Industrial Average was down around 15 points not long after London closed.

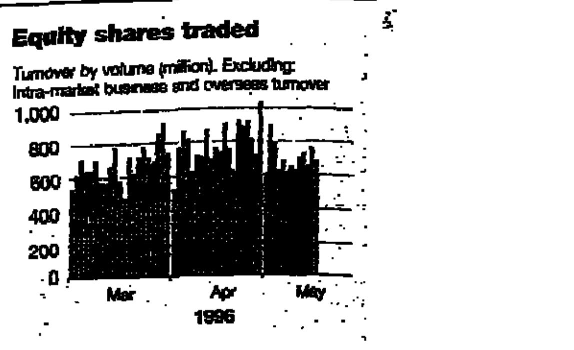
Turnover in equities at the 6pm calculation was 806.1m shares. Retail business on Tuesday was worth £1.83bn.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3764.2	−25.2	FT Ordinary index	2799.0	−16.3
FT-SE Mid 250	4512.3	−16.9	FT-SE-A Non Fins p/e	17.02	17.12
FT-SE-A 350	1906.9	−11.5	FT-SE 100 Fut Jun	3763.0	−25.0
FT-SE-A All-Share	1892.50	−10.86	10 yr Gilt yield	8.04	8.02
FT-SE-A All-Share yield	3.78	3.75	Long gilt/equity yld ratio:	2.12	2.14

Best performing sectors

1 Retailers: Food ... +0.9
2 Breweries: Pubs & Rest ... +0.7
3 Retailers: General ... +0.4
4 Engineering: Vehicles ... +0.3
5 Engineering ... +0.3

Worst performing sectors

1 Electricity ... −2.0
2 Water ... −1.7
3 Insurance ... −1.6
4 Utilities ... −1.5
5 Tobacco ... −1.5

Broker boosts Sainsbury

Food retailers bucked the poor market trend, boosted by a broker recommendation for one stock and the positive tone among general retailers following a clutch of bumper figures.

The day's main talking point was J. Sainsbury, which gained 6 at 379p in trade of 4m, after Charterhouse Tilney turned a buyer following "a good few years" of caution.

Analysts at Charterhouse met with the company earlier this week, and Mr Bill Currie at the broker said: "After a number of years of management inertia, the company now seems to be taking a proper course of action and making key decisions."

Sentiment in the stock was further enhanced by the positive trading update from Kingfisher, which revealed increased sales at B&Q, its DIY subsidiary. The hope is that Sainsbury's Homebase and Texas Homecare divisions, in the same market segment, may see a similar improvement.

Yorkshire buyback

A big book balancing exercise by one leading broker hit the whole of the utilities sector and masked potential good news from Yorkshire Water.

Yorkshire announces figures in two weeks' time and there is growing confidence that it will use the occasion to buy back 10 per cent of its shares.

That would give the company the opportunity to return some £125m to shareholders. In spite of the bad press that has surrounded Yorkshire over the past year, analysts believe the return would be justified, as Yorkshire has spent £170m on customers over the winter by upgrading its system.

Analyst Mr Philip Hollobone of Williams de Broë said: "The company could do two 10 per cent buybacks, pay windfall tax and still have 85 per cent gearing. The new management team is now in place and it will want to make its mark."

Yorkshire fell 12 to 619p, but hardest hit were National Grid, which dropped 6 to 177½p, London Electricity, off 27 at 702p, Anglian Water, off 17 at 518p, and Yorkshire Electricity, down 23 at 707p.

BTR retreats

Leading conglomerate BTR ended off 4½ at 290p after a day of intense two-way trading which boosted turnover to an above average 14m shares.

One leading broker was said to have given its earnings forecast for this year a further trim, and a number of scare stories about weak cashflow were also said to be in circulation. The shares were down 6 at one stage.

BTR has been a weak market for the past month, taking on board an annual meeting profits warning and falling 11 per cent in absolute terms since late April.

Some dealers detected switching out of the stock and into Williams Holdings, which move ahead 5 to 336p on the back of a "steady as she goes" annual meeting statement.

National Westminster Bank fell 12 to 627p as Salomon Brothers and HSBC James Capel cut their profit forecasts for the company. Salomon apparently lowered its current year forecast by £580m to £945m, while Capel reduced to £1.62bn from £1.91bn.

Capel maintained its buy recommendation but said restructuring costs resulting from branch closures would be higher than expected. Also, NatWest Securities advised switching into Barclays, which lost 6 at 776p.

Engineering leader GKN spurted from a strong base as a marketmaker squeeze combined with positive talk.

Some brokers were said to be giving added push to the argument that GKN's helicopter and pallet and container rental operations had significantly reduced the group's exposure to the traditional engineering cycle. At the same time, it was rumoured that one top marketmaker had been forced to unwind a big short position.

The shares have outpaced the market by 17 per cent over the past three months and 2 per cent on a one-month view. They pushed ahead by 16 to 1005p yesterday.

Johnson Matthey burst through to a new 52-week high, rising 12 to 658p. The shares have been in demand lately following a series of upbeat presentations.

Bass, the hotels, brewing and leisure group, which jumped 20 to 788p, pleased the market with interim profits at the top end of forecasts. However, the results did not have a significant effect on the sector. Analysts, most of whom upgraded their forecasts for Bass, said the results were fairly company-specific and followed good results from other groups in the sector such as Whitbread.

The most dramatic fall in the sector was Morland, which dipped 21 to 619p following a "badly handled sell order", according to one analyst.

The stores sector, with one or two exceptions, outperformed. Kingfisher's annual meeting and trading update was one of the catalysts, providing further reassurance about increases in discretionary spending. Kingfisher rose 12 to 620p, with several analysts upgrading their full-year forecasts.

The market latched on to the company's statement that B&Q's market share was growing in a depressed market. One analyst suggested that this could have been responsible for Boots falling 11 to 612p, with its troubled Do It All outlets a possible victim of B&Q's success.

Analysts also suggested that there could be some switching from Boots to Marks and Spencer, which nudged forward half a penny to 462½p. Beneficiaries of the growing optimism in the market included Dixons, 8 dearer at 504p, and Argos, 9 higher at 729p.

Competition worries continued to gnaw away at BT, following the launch of a number portability scheme by Nynex CableCommunications.

BT surrendered 5 to 339½p in 6.1m shares traded. Nynex hardened to 124½p.

Airports group BAA continued to slide on the back of regulation fears. On Tuesday, a parliamentary review called for wider airport ownership. The stock fell 8 to 499p in 9.1m traded for a two-day decline of close to 5 per cent.

Newcomer Railtrack was again the day's most active stock, easing 1¼ to 219p in turnover of 25m. BZW issued a covered call warrant on the stock.

Talk that a predator was once again stalking Thorn EMI returned to the market yesterday. But the weakness of the broad market saw the shares ease off the day's peak of 1830p to close 17 up at 1813p.

Jarvis, which stood at 11p a year ago, shot forward 25 to 89p on news of a Railtrack maintenance acquisition, a capital restructuring and a rights issue.

A profits warning sent instrumentation specialist Whessoe spinning lower. The shares closed off 38 at 134p.

Courtaulds, the chemicals group, saw its shares shrug off disappointing figures after the company impressed analysts with an upbeat presentation. The stock gained 7 to 422p.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown, Lisa Wood.

FINANCIAL TIMES EQUITY INDICES

	May 22	May 21	May 20	May 17	May 16	Yr ago	*High	*Low
Ordinary Share	2799.0	2815.3	2811.0	2816.5	2792.6	2517.3	2885.2	2696.7
Ord. div. yield	3.97	3.92	3.94	3.93	3.96	4.22	4.06	3.76
P/E ratio net	16.28	16.64	16.60	16.62	16.49	16.21	17.25	15.96
P/E ratio nil	16.06	16.41	16.37	16.39	16.26	15.70	17.03	15.76

Ordinary Share index since compilation: high 2885.2 18/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2809.4	2803.6	2806.2	2802.8	2807.3	2805.2	2802.4	2798.5	2799.1	2809.4	2795.8

	May 22	May 21	May 20	May 17	May 16	Yr ago
SEAQ bargains	34,111	35,254	42,502	34,567	31,971	25,854
Equity turnover (£m)†	–	1828.8	1850.5	2363.7	1903.4	1599
Equity bargains†	–	44,571	52,876	41,162	38,418	36,697
Shares traded (m)†	–	618.3	685.8	770.5	639.4	639.5

†Excluding intra-market business and overseas turnover.

	May 22	May 21	May 20	May 17	May 16	Yr ago	*High	*Low
FT-SE AIM	1089.30	1089.30	1086.50	1084.50	1075.60	-	1094.50	965.68

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	581	Total Highs	143	Total contracts	46,128
Total Falls	655	Total Lows	28	Calls	21,665
Same	1509			Puts	24,463

May 22 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3782.0	3763.0	-25.0	3786.0	3756.0	12433	54759
Sep	3789.0	3771.0	-26.5	3789.0	3773.0	852	7620
Dec	3798.0	3800.0	-27.0	3798.0	3798.0	13	522

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4520.0	-20.0			0	4141

■ FT-SE 100 INDEX OPTION (LIFFE) (*3764) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock
100	F.P.	76.5	105	51	Aberforth Smlr C
-	F.P.	21.2	138	115	†Active Imaging
-	F.P.	44.2	101	101	AIM Trust
-	F.P.	137.4	745	681¼	Atlantis Japan
-	F.P.	-	175	123	Biocompatible Unit
105	F.P.	12.8	124	118	†CA Coutts

[illegible]

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 22 / Sch)

BELGIUM/LUXEMBOURG (May 22 / Frs.)

CZECH REP (May 22 / Koruna)

DENMARK (May 22 / Kr)

FINLAND (May 22 / Mka)

FRANCE (May 22 / Frs.)

GERMANY (May 22 / Dm.)

GREECE (May 22 / Drachma)

ITALY (May 22 / Lira)

NETHERLANDS (May 22 / Fls.)

NORWAY (May 22 / Kroner)

POLAND (May 22 / Zloty)

PORTUGAL (May 22 / Escudo)

SPAIN (May 22 / Pta.)

SWEDEN (May 22 / Kronor)

SWITZERLAND (May 22 / Frs.)

TURKEY (May 22 / Tk Lira)

PACIFIC

JAPAN (May 22 / Yen)

HONG KONG (May 22 / H.K.$)

INDONESIA (May 22 / Rupiah)

MALAYSIA (May 22 / MYR)

NEW ZEALAND (May 22 / NZ $)

SINGAPORE (May 22 / S$)

AUSTRALIA (May 22 / Aust$)

SOUTH KOREA (May 22 / Won)

TAIWAN (May 22 / TW $)

THAILAND (May 22 / Baht)

NORTH AMERICA

CANADA

MONTREAL (May 22 / Can $) 4 pm close

TORONTO (May 22 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (May 22 / Rand)

INDICES

	May 22	May 21	May 20	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	18799.47	18881.95	18881.95	20/5	15528.61	19/3
Australia							
All Ordinaries(1/1/80)	2244.1	2242.9	2251.2	2326.00	26/4	2187.49	11/3
All Mining(1/1/80)	1054.5	1057.6	1073.0	1118.40	8/5	1084.79	16/1
Austria							
Credit Aktien(30/12/84)	394.34	390.14	387.56	394.34	22/5	352.78	2/1
Traded Index(2/1/91)	1137.51	1131.28	1122.86	1137.51	22/5	975.27	2/1
Belgium							
BEL20(1/1/91)	1771.10	1761.39	1741.02	1771.10	22/5	1574.90	2/1
Brazil							
Bovespa(29/12/83)	(u)	58020.0	58557.0	58557.00	20/5	43901.00	2/1
Canada							
Metals Minls♦(1975)	(u)	5438.67	(c)	5624.60	8/5	4587.47	16/1
Composite♦(1975)	(u)	5238.30	(c)	5238.30	21/5	4739.70	15/1
Portfolio$$(4/1/83)	(u)	2561.24	(c)	2561.24	21/5	2327.39	12/1
Chile							
IGPA Gen♥(31/12/80)	(u)	(c)	5559.68	5804.33	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	403.30	403.05	402.97	403.39	22/5	368.40	2/1
Finland							
HEX General(28/12/90)	2018.59	2017.29	2025.34	2025.34	20/5	1651.67	10/1
France							
SBF 250(31/12/90)	1439.36	1451.51	1444.42	1453.88	30/4	1250.16	2/1
CAC 40(31/12/87)	2103.49	2129.71	2120.59	2146.79	30/4	1897.85	11/1
Germany							
FAZ Aktien(31/12/58)	902.80	901.59	900.43	902.80	22/5	818.56	2/1
Commerzbank(1/12/53)	2593.50	2593.80	2590.10	2601.98	23/4	2378.20	2/1
DAX‡(30/12/87)	2556.87	2570.78	2550.00	2570.78	21/5	2284.86	2/1
Greece							
Athens SE(31/12/80)	917.06	917.47	922.36	1017.86	4/3	901.83	29/4
Hong Kong							
Hang Seng(31/7/64)	11082.79	11088.77	10987.59	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	3685.85	3871.95	3694.29	3869.87	24/4	2828.88	25/1
Indonesia							
Jakarta Comp.(10/8/82)	616.39	617.29	617.69	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2545.0	2547.29	2539.00	2547.29	21/5	2234.61	2/1
Italy							
Banca Comm Ital(1972)	666.20	669.53	674.10	674.10	20/5	672.21	23/3
MIB General(2/1/96)	1129.0	1134.0	1142.0	1142.08	20/5	978.00	27/3
Japan							
Nikkei 225(16/5/49)	21958.00	22091.74	21979.00	22282.05	24/4	19734.78	13/3
Nikkei 300(1/10/82)	311.04	312.23	311.97	318.86	26/4	284.48	11/3
Topix(4/1/68)	1683.12	1689.30	1689.04	1718.00	26/4	1524.12	13/3
2nd Section(4/1/68)	2239.03	2236.78	2236.60	2243.28	25	1982.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1140.40	1146.08	(c)	1189.54	30/4	993.18	2/1
Mexico							
IPC(Nov 1978)	(u)	3342.71	3318.21	3342.71	21/5	2738.36	8/3
Netherland							
CBS TtlRtnGen(End 83)	638.2	638.1	634.0	638.20	22/5	598.50	2/1
CBS All Shr(End 83)	378.9	378.9	376.5	378.90	21/5	326.70	2/1
New Zealand							
Cap. 40(1/7/86)	2085.51	2087.2	2090.52	2203.86	4/1	2044.71	24/1
Norway							
Oslo SE(Ind)(2/1/83)	1412.05	1417.81	1408.09	1444.72	29/4	1259.88	30/1
Philippines							
Manila Comp(2/1/85)	3155.97	3126.97	3111.35	3165.87	22/5	2578.97	2/1
Portugal							
BVL 30(4/1/93)	1885.59	1885.44	1868.85	1885.59	22/5	1602.81	2/1
Singapore							
SES All-S'pore(2/4/75)	574.94	573.12	573.35	610.37	5/2	553.89	2/1
South Africa							
JSE Gold(28/9/78)	1931.9♥	1948.3	2000.1	2028.90	17/5	1346.40	2/1
JSE Indl.(28/9/78)	7736.6♥	7740.2	7723.2	8739.30	25/1	7723.20	20/5
South Korea							
KoreaCompEx**(4/1/80)	924.00	919.88	935.07	986.84	7/5	838.87	13/3
Spain							
Madrid SE(30/12/85)	361.71	363.95	362.95	383.95	21/5	323.78	11/1
Sweden							
AffarsvardnGen(1/2/37)	1995.7	1996.5	2005.5	2005.50	20/5	1706.80	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1720.43	1741.41	1740.93	1779.54	26/4	1516.18	17/1
SBC General(1/4/87)	1213.95	1226.52	1225.86	1259.89	26/4	1114.47	26/1
Taiwan							
WeightedPr.**(30/6/66)	5732.98	5729.48	5774.89	6182.70	29/4	4699.22	6/2
Thailand							
Bangkok SET(30/4/75)	1265.52	1290.59	1289.23	1415.04	6/2	1247.78	13/3
Turkey							
Istanbul Comp.(Jan 1986)	63281.5	66224.6	66647.5	72088.89	8/4	38778.39	2/1
WORLD							
MS Capital Intl$(1/1/70)	777.4*	779.7	779.3	780.60	21/5	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1687.92	1696.84	1690.64	1698.84	21/5	1504.49	11/1
Euro Top-100(28/6/90)	1444.97	1456.23	1453.31	1459.28	26/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	376.51	376.09	383.16	16/4	344.19	2/1
ING Bngs Emrg(7/1/92)	161.73	162.24	162.08	164.14	14/5	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ **CAC-40 (200 x Index)**							
May	2114.0	2094.0	-29.0	2118.0	2093.0	20,389	33,003
Jun	2094.5	2073.5	-29.0	2095.0	2073.0	2,734	31,287
■ **DAX**							
Jun	2569.5	2552.0	-14.5	2570.0	2544.0	23,319	167,708
Sep	2579.0	2570.5	-18.0	2580.5	2565.5	90	7,143
■ **OMX**							
May	1571.00	1561.00	-11.00	1574.00	1560.00	8,251	13,342
Jun	1574.00	1561.50	-10.40	1574.35	1561.00	5,106	8,754
■ **SOFFEX**							
Jun	3560.5	3523.0	-40.0	3565.0	3519.0	4,438	23,142
Jul	3562.0	3523.5	-49.0	3562.0	3524.0	32	6,883

** Sat May 18: Taiwan Weighted Price 6021.18, Korea Comp Ex 928.80. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. $$ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: May 22 – 2548.79 -15.33.

US INDICES

Dow Jones	May 21	May 20	May 17	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5736.26	5748.82	5687.50	5748.82 (20/5)	5032.94 (10/1)	5748.82 (20/5/96)	41.22 (8/7/32)
Home Bonds	101.64	101.65†	101.62	106.08 (14/2)	101.19 (8/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2279.65	2267.59	2265.64	2279.65 (21/5)	1882.71 (18/1)	2279.65 (21/5/96)	12.32 (8/7/32)
Utilities	212.48	212.27	212.41	234.60 (12/2)	205.42 (7/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5794.63 (5778.74) Low 5696.21 (5657.58) (Theoretical♦)
Day's high 5759.16 (5750.30) Low 5731.45 (5671.98) (Actual♦)

Standard and Poors	May 21	May 20	May 17	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	672.76	673.15	668.91	673.15 (20/5)	598.48 (10/1)	673.15 (20/5/96)	4.40 (1/6/32)
Industrials♥	800.75	802.46	796.18	802.46 (20/5)	702.07 (15/1)	802.46 (20/5/96)	3.62 (21/6/32)
Financial	67.25	67.10	66.59	68.56 (5/3)	58.57 (10/1)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	361.05	361.09	358.78	361.09 (20/5)	321.41 (10/1)	361.09 (20/5/96)	4.46 (25/4/42)
Amex Mkt Val	612.23	609.36	605.21	612.23 (21/5)	529.05 (18/1)	612.23 (21/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1244.42	1248.11	1241.88	1248.11 (20/5)	988.57 (15/1)	1248.11 (20/5/96)	54.87 (31/10/72)

■ RATIOS

	May 17	May 10	May 3	Year ago
Dow Jones Ind. Div. Yield	2.17	2.20	2.21	2.54
	May 15	May 8	May 1	Year ago
S & P Ind. Div. yield	1.86	1.92	1.86	2.21
S & P Ind. P/E ratio	21.98	21.26	21.60	18.77

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
BP	4,275,100	105⅞	-1⅛
Telecom NZ	4,011,600	66¼	-⅛
Coca Cola	3,758,700	45½	—
Tel De Mex	3,459,100	34¼	+⅛
Wyndham	2,868,000	22¼	+6½
Tel Brasiel	2,755,300	60¼	-⅝
Loral Space	2,705,000	16½	+¾
Gen Elec	2,677,600	83⅝	-1½
Diamond Off	2,605,900	49¼	-⅛
Merck	2,574,000	63¼	-¼

■ TRADING ACTIVITY

● Volume (million)	May 21	May 20	May 17
New York SE	404.560	388.127	432.152
Amex	27.978	24.46	23.133
NASDAQ	710.466	608.259	648.468
NYSE			
Issues Traded	3,160	3,155	3,129
Rises	1,144	1,310	1,454
Falls	1,230	1,011	842
Unchanged	786	834	833
New Highs	197	195	184
New Lows	15	8	8

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ **S&P 500**							
Jun	675.60	675.00	-0.80	676.00	674.30	67,920	177,805
Sep	680.60	680.60	-0.90	680.60	680.35	2,637	18,564
■ **Nikkei 225**							
Jun	22160.0	21950.0	-170.0	22260.0	21850.0	23,698	282,054
Sep	22220.0	22040.0	-130.0	22320.0	21940.0	6,883	31,235

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, May 22, 1995.

	Stocks Traded	Closing Prices	Change on day
Nagasakiya	11.7m	1,010	-30
Akai Elect	7.3m	510	-16
Sansui Elect	7.3m	301	-4
Mitsubishi Hvy	7.1m	946	-2
Toyota Motor	6.3m	2,410	+40
Ga-Jo-En Kenko	5.6m	335	+49
Honda Motor	5.1m	2,590	+100
JMS	4.8m	1,220	+190
Sumitomo Mtl Ind	4.4m	333	-4
Dai-ichi Katei	4.1m	850	-50

Prices supplied by Telekurs

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4 pm close May 22

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¾	19⅛	AAR	0.48	2.1	25	306	23⅛	22¾	23	
46⅛	36⅜	AMP	1.00	2.3	21	3815	43⅛	42¾	43⅛	+¼
97½	68	AMR			24	4766	u97½	96¼	96¾	-¼
50½	37⅜	ASA x	1.80	4.0	29	447	44⅞	44⅜	44⅝	-⅜
44¾	38⅛	AbbotL	0.96	2.3	19	10502	42	41⅛	42	+⅝
17¼	13⅜	Abitibi Pr	0.40	2.8	7	398	14¼	14⅛	14⅛	-⅛
36	27	ABM Ind	0.70	2.0	18	19	35¼	35⅛	35¼	+⅛
17⅛	13⅞	Acptncein			43	81	16⅝	16⅜	16⅝	+¼
50⅜	37¾	ACE Ltd	0.56	1.2	11	1077	47	46	46⅞	+⅞
9⅞	9⅛	ACM Gvt In x	0.90	9.2	8	120	u9⅞	9¾	9¾	-⅛
7⅞	6¾	ACM GvOpp x	0.57	8.3		50	6⅞	6⅞	6⅞	
7¼	6¼	ACM Gvt Sp x	0.66	10.4		116	6½	6⅜	6⅜	
9⅛	8¼	ACM Gvt Se x	0.90	10.4		173	8⅝	8½	8⅝	
9½	8¾	ACM Man x	0.90	9.9		160	9⅛	9	9⅛	+⅛
30¾	16½	AcmeCtv	0.52	1.7	7	23	30⅛	30	30¼	+¼
13⅞	6⅛	Acme Elect			67	622	12¼	11½	12⅛	+½
32½	27¾	Acordia	0.72	2.3	19	2	31⅞	31⅞	31⅞	
21⅜	12	Acuson			90	1556	20⅛	19⅝	19⅞	-⅛
19½	18⅜	Adams Expr x	1.66	8.7	0	181	19¼	19⅛	19⅛	
21¼	16⅛	AdvMic			7	7989	17⅝	17⅛	17⅝	-⅛
11⅛	8½	Advest Grp	0.16	1.5	7	11	10⅞	10¾	10¾	-⅛
26⅛	9⅛	Advo Inc	0.10	0.9	60	174	11	10¾	10⅞	+⅛
50⅜	41⅛	Aegon	1.23	2.5	15	18	49⅝	49⅛	49⅝	+⅜
6¾	3½	Aeriflx			3	571	6¼	6	6	-¼
78¾	66⅜	AetnaL	2.76	3.7	19	8103	74¼	73⅞	74⅝	+½

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Continued on next page

4 pm close May 22

NYSE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
91⅜	65⅜	Schlmb	1.50	1.7	31	7027	89¾	87⅞	88	+⅛
14½	9⅜	Schlr			3	1321	11½	11¼	11⅜	
27⅞	18⅝	Schwab(C)	0.16	0.7	23	6006	24⅞	23⅞	24	
29⅞	22¾	SchwMaud x			14	738	28	27¾	27⅞	
20⅞	13⅛	SciAtl	0.06	0.3	50	1820	19⅞	19½	19½	-⅜
21	17	Scotsman	0.10	0.5	12	163	u21	20¾	20¾	
44½	38⅛	Scripps x	0.52	1.2	26	1294	u44½	42⅞	43¾	+¾
18⅛	14½	ScudderNAsF	0.02	0.1		328	15⅛	14⅞	15	-⅛
12½	11	ScudderNEsF	0.16	1.3		157	12⅜	12¼	12¼	
19¼	16	SeaCnB	0.70	3.7	2	6	u19¼	19	19	
16	15⅛	SeaC1.4625	1.46	9.4		z100	15½	15½	15½	+⅛
67¾	44¾	S'gate			23	6926	62¼	60½	61¼	+⅜
38⅜	31¾	Seagrm	0.60	1.7	24	3547	35½	34⅞	35½	+⅛
24⅝	17⅛	Seagull En			16	755	24	23¼	24	+⅛
38⅛	25	Sealed Air			26	143	35¾	35⅛	35½	-⅜
53¼	38¼	SearsR	0.92	1.9	14	15126	50⅛	48⅝	48⅞	-1

- X - Y - Z -

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
160¼	119⅜	Xerox	3.48	2.2	40	4520	u160¼	158⅝	158⅞	-¼
47⅜	39¾	Xtra Corp x	0.72	1.6	16	106	46⅛	45⅞	46⅛	
25¾	21¼	Yankee Egy	1.26	5.8	12	62	22	21⅞	21⅞	
53¼	43⅞	York Intl	0.36	0.7	23	1943	u53¼	52⅞	53¼	
3⅞	3	Zapata	0.14	3.9	9	45	3¾	3⅝	3⅝	
25¾	5⅞	ZenithEl			7	8659	14	13⅛	13½	-½
27½	21⅛	Zenith Nat	1.00	3.8	37	55	26½	26¼	26½	+⅛
7⅛	6½	Zeniz Inc	0.72	10.3		83	7	6⅞	7	
20⅝	15⅛	Zero	0.12	0.6	17	41	19⅝	19	19⅛	-½
23¼	19⅜	Zurn Ind	0.40	1.9	15	375	20⅞	20½	20⅝	+⅛
11⅞	10¾	Zweig Fund	1.12	10.1		267	11⅛	11	11⅛	+⅛
9	8½	Zweig Totl x	0.84	9.7		471	8¾	d8½	8⅝	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

§ Dealings suspended.

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AMEX PRICES

4 pm close May 22

NASDAQ NATIONAL MARKET

4 pm close May 22

AMERICA

US stocks in modest loss at midsession

Wall Street

US shares were mostly weaker in quiet trading at midsession on the heels of recent gains that have sent blue chip shares up by more than 300 points in the past two weeks, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was off 12.19 at 5,724.07, the Standard & Poor's 500 had eased 0.47 to 672.29 and the American Stock Exchange composite lost 0.04 at 612.19. The technology-rich Nasdaq composite shed 2.68 to 1,241.74. NYSE volume was light at 223m shares.

Consumer shares managed to buck the falling market. The Morgan Stanley index of consumer shares added 0.2 per cent, while the counterpart index of cyclical shares posted a loss of 0.3 per cent.

Activity was expected to be muted on US financial markets through to the end of the week because there was little scheduled in the way of economic data and markets will be closed on Monday for Memorial Day.

There was much interest yesterday in the initial public offering of Saks Holdings, the up-scale department store chain owned by the Bahrain-based Investcorp. Shares were priced late on Tuesday at $25 each, $2 above the high end of the expected price range, and in early trading they jumped $10 or 40 per cent to $35.

Dayton Hudson, a middle market retailing chain, gave up $3⅝, nearly all of the $4 it rose on Tuesday after reporting stronger than expected first-quarter earnings. That brought the shares to $102⅞.

Toys 'R' Us fell $⅝ or 2 per cent to $29⅝. The Federal Trade Commission voted yesterday to file an administrative complaint against the toy retailer charging that it had used its market power to keep toy prices high. The stock declined $⅞ on Tuesday amid speculation that the FTC was preparing to make such a move.

Iomega, the US maker of computer disk drives, continued the run-up begun when the company announced a stock split that took effect on Tuesday. Since Monday the shares had risen a split-adjusted $8½ and by early yesterday afternoon they were ahead another $4⅛ at $47⅝.

Syquest, which also makes external computer disk drives, rose $1⅝ or 14 per cent to $13⅜.

Canada

Toronto was weak in midsession trade, and continued the trend of low turnover seen on Tuesday when the market closed at its 28th record high of the year.

The TSE-300 index was off 8.95 by noon at 5,229.30 in volume of 42.8m shares.

Further volatile trade was seen in Cartaway Resources which picked up from a low of C$2.40 to trade 23 cents up at C$3.01. The shares jumped to C$26 last week on a potential mining prospect before giving up most of the rise when the company released disappointing results from tests.

SOUTH AFRICA

Volatile trading was seen in Johannesburg as technical factors predominated. The industrial index, for instance, rose 97 points at one stage before falling steadily to finish 1.6 down at 7,738.6.

SA Breweries was in character, trading between a day's high of R125 and a low of R118.50 before closing R4 off at R119.50. The overall index lost 1.0 at 6,652.8 as golds receded 16.4 to 1,931.9.

EUROPE

Negative analysts hit Paris financials

Financials were weak in PARIS as a number of analysts turned negative on the sector, while the threat of industrial action throughout the country by trade unions today was an added, and more general, disincentive.

The CAC-40 index fell 26.22 or 1 per cent to 2,103.49 in high turnover of FFr7.3bn. Some brokers also observed that hopes for a further, imminent cut in domestic interest rates now seemed to have receded. The financial sector lost 1.2 per cent.

Eridania Beghin-Say fell FFr30 to a year's low of FFr800 as one broker downgraded the stock, visualising a potential drop in earnings due to rising prices for raw materials.

Canal Plus and Havas moved up a respective FFr8 and FFr2.20 to FFr1,230 and FFr444 on speculation about a change in cross-holdings. Following a shareholders meeting Docks de France rose FFr29 to FFr1,100 as the retailer said that it had a stable shareholder base and that it was not seeking an outside ally. Last week, Auchan, which is privately owned, announced that it had taken a 10.6 per cent stake.

FRANKFURT strove further, and the Dax set a new intraday high of 2,572.68 in early trading; but profit-taking, a slightly higher than expected M3 figure and another gentle downtrend in Wall Street's morning left the key index down 15.33 at 2,548.79. Turnover stayed high at DM10.2bn.

Lufthansa, which had outperformed the market by 50 per cent over the previous three years, fell sharply after Tuesday's first-quarter data: the shares closed DM9.20, or 3.75 per cent, lower at DM236.30. At Deutsche Morgan Grenfell, Mr Jürgen Pieper cut his earnings per share estimates from DM11.30 to DM13 for 1996 and from DM15.80 to DM14.50 for 1997, and downgraded the stock from neutral to underweight.

Meanwhile, Wella, the haircare stock, put on DM57, or 6.9 per cent, at DM885 on its promise of earnings recovery this year, following a botched reorganisation, and a collapse in profits in 1995.

ZURICH was weak on domestic uncertainty over the outlook for interest rates, and foreign perceptions that the market had become too expensive. The SMI index finished 37.3 lower at 3,550.0

Financials suffered from uncertainty over the outlook for interest rates, while pharmaceuticals were pressured by US selling. Clariant, however, moved up SFr6 to SFr435 after its upbeat outlook for the coming year.

Swissair, which had attracted a number of analysts' recommendations, picked up SFr25 at SFr1,277 on the view that its continuing pursuit of Allders International signalled the airline's commitment to building its involvement in non-core but airline related businesses.

AMSTERDAM languished throughout the session before the AEX index closed with a marginal loss of 0.53 at 561.31.

Nedlloyd, the transport and shipping group, was a feature after publishing first-quarter results broadly in line with analysts' expectations, and indicating that it expected to end the year in profit. The stock rose 60 cents to Fl 37.90. There was also some interest in Unilever, up Fl 1.60 to Fl 237.10 following the group's announcement that it was to purchase a French frozen products company.

MILAN was pressured by May's inflation data in hesitant trade ahead of the new prime minister's speech, after the market closed, outlining his government's policies. The Comit index fell 3.33 to 666.20.

Olivetti turned back from a high of L990 to finish L11.6 weaker at L973.6 as the company sought to correct an impression that the chairman, Mr Carlo De Benedetti, had said that he expected to sell the loss-making personal computer business. The company denied plans for a sale but said that it had no intention of expanding its activities through acquisitions.

Fiat was spurred L75 higher to L5,400 on further speculation about its plans to sell off non-core businesses.

MADRID saw another slide in turnover, from Pta38.8bn to Pta34bn, as equities attempted to consolidate their recent rally, and the general index shed 2.25 to 361.71. Banks and utilities were weaker after their recent show of strength and, in retailers, Pryca lost Pta55 at Pta3,120 after a put-through order.

LISBON edged ahead to a second consecutive record close, with much of the day's attention focused on Banco Portuguese de Investimento on signs that it would bid at the privatisation of Banco Fomento & Exterior. The BVL30 index rose 1.03 to 1,886.47 and PBI moved Es52 higher to Es2,061.

VIENNA reported feverish demand for the market heavyweight OMV, up Sch58, or 5.5 per cent, to Sch1,113 on the resounding success of the secondary share offering from the oil and chemicals combine. The ATX index rose 6.23 to a 20-month high of 1,137.51; but dealers were cautious since, of the remaining ATX constituents, losses overwhelmed gainers with 12 down, four up and two unchanged.

WARSAW was in retreat for the second successive session and analysts said that disappointing inflation and earnings figures had contributed to negative sentiment. The Wig index fell 2 per cent to 12,413.5 as turnover dropped by 9 per cent to 121.1m zlotys.

ISTANBUL tumbled 4.4 per cent after Ms Tansu Çiller, a partner in the minority coalition government, asked the prime minister, Mr Mesut Yilmaz, to resign. The composite index fell 2,943.07 to 63,261.59.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

May 22	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1690.37	1691.14	1689.54	1689.47	1689.84	1688.09	1687.81	1687.92
FT-SE Eurotrack 200	1732.62	1731.01	1730.12	1731.80	1731.62	1729.97	1728.61	1728.13
	May 21	May 20	May 17	May 16	May 15			
FT-SE Eurotrack 100	1696.84	1690.84	1693.34	1682.03	1682.60			
FT-SE Eurotrack 200	1740.29	1733.46	1727.37	1724.84	1729.28			

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Caracas at another record high

Caracas, which had set a record high close on Tuesday, was continuing to move ahead by midday. The IBC index was up 24.05 at 4,204.20. On Tuesday the market saw volume of 11bn shares valued at 1.6bn bolivars ($3.4m).

MEXICO CITY had edged slightly forward in early trade, before losing the gain by midsession, following a decline in local interest rates. The IPC index was 19.97 off at 3,322.74 by noon.

Serfin, a financial group, was up 3 per cent on reports that it was negotiating to sell a stake in its bank unit to a foreign investment bank.

SAO PAULO was looking just a little firmer by midday as euphoria surrounding the privatisation of Light and the announcement of better than expected first-quarter results for Telebras began to wane. The Bovespa index registered a gain of 48.54 at 56,068.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: May 17 1996	Dollar terms: % Change over week	Dollar terms: % Change on Dec '95	Local currency terms: May 17 1996	Local currency terms: % Change over week	Local currency terms: % Change on Dec '95
Latin America	(247)	532.68	+1.4	+12.9			
Argentina	(31)	942.72	+6.0	+17.7	578,033.78	+6.0	+17.6
Brazil	(68)	350.09	+2.2	+14.7	1,303.97	+2.4	+17.4
Chile	(43)	729.14	-2.8	-2.8	1,194.30	-1.3	-2.1
Colombia[1]	(15)	633.02	-2.4	+5.8	1,195.00	-2.0	+13.9
Mexico	(65)	550.08	+2.1	+21.4	1,754.62	+1.5	+16.5
Peru[2]	(20)	204.85	+0.2	+3.9	301.95	-0.1	+8.7
Venezuela[3]	(5)	502.94	+1.9	+50.4	5,471.62	+3.4	+109.6
Asia	(631)	268.89	-0.8	+15.8			
China[4]	(23)	57.33	-0.3	+6.0	60.28	-0.3	+6.1
South Korea[5]	(145)	128.16	-3.2	+1.8	131.41	-3.0	+2.3
Philippines	(35)	306.49	-0.7	+18.1	387.06	-0.8	+17.7
Taiwan, China[6]	(83)	137.47	-0.6	+21.9	140.55	-0.4	+21.6
India[7]	(76)	102.98	+2.2	+28.1	127.46	+1.5	+27.0
Indonesia[8]	(44)	127.57	+0.5	+16.3	161.55	+0.4	+18.6
Malaysia	(123)	322.79	-0.4	+19.0	296.56	-0.4	+16.7
Pakistan[9]	(25)	287.63	-4.9	+18.5	455.13	-4.9	+20.7
Sri Lanka[10]	(5)	110.07	+0.5	+5.8	131.94	+0.8	+9.1
Thailand	(72)	373.15	-2.9	-0.7	374.63	-2.8	-0.3
Euro/Mid East	(238)	140.38	-0.4	-0.9			
Greece	(47)	246.13	+0.3	+1.9	403.40	-0.2	+4.2
Hungary[11]	(8)	164.53	+2.2	+67.2	293.50	+2.3	+81.4
Jordan	(8)	175.43	+0.4	-5.0	261.86	+0.4	-5.0
Poland[12]	(22)	683.20	-1.6	+60.2	1,145.84	-1.3	+73.1
Portugal	(26)	122.85	+0.5	+6.1	132.62	+0.7	+11.6
South Africa[13]	(63)	233.59	+0.7	-9.5	208.36	-0.3	+7.3
Turkey[14]	(54)	134.79	-6.7	+29.0	4,886.76	-6.2	+63.5
Zimbabwe[15]	(5)	380.00	+3.2	+38.3	549.97	+3.2	+45.9
Composite	(1116)	304.97	+0.0	+10.6			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)July 2 1993.

The investment potential of the Middle East is improving, according to a new report by Mr Angus Blair of ING Barings, writes John Pitt. Peace and political stability, says Mr Blair, are making overseas investors more optimistic, while a new regional order has been established "which even religious passion seems unlikely to tear apart". Following this sea change in sentiment, direct investment is increasing, with multinationals now looking more likely to enter the region now than in the past. In addition, there has been a significant increase in the amount of private capital being repatriated. "Even if only a fraction of the capital held offshore returns to be invested directly and indirectly," says Mr Blair, "it would make a tangible difference to the economies and stock markets of the Middle East."

An increase in the number of listed companies is also due as governments and state authorities loosen their grip, and as the private sector grows so there will be greater demand for capital to modernise. "The result is that the stock market is increasingly being viewed as one of the main vehicles to raise money," says Mr Blair, "and this is also encouraging unlisted companies to come to the market and the state to privatise its enterprises."

In the short term the general election in Israel, called for later this month, will keep sentiment nervous, while peace talks between Syria and Israel will be one of the main diplomatic focal points of the year. Regarding equities, says Mr Blair, "the reopening of the Beirut stock exchange and the readiness for the formal opening of a stock market in 1997 in the UAE will be the highlights of 1996, although the efforts in Bahrain and Oman to open up to foreigners are an indication of the region at last maturing".

ASIA PACIFIC

Nikkei cautious in advance of results flow

Tokyo

Investors held back ahead of a spate of corporate results due today and tomorrow and prices lost ground on technical selling, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average dipped 133.74 to 21,958.00 after moving between 21,839.93 and 22,195.74. Profit-taking by domestic institutions combined with futures linked selling, while foreigners remained on the sidelines. Selling by individual investors also weighed on the index.

Volume picked up to 410m shares from 401m as some activity was seen in steel shares. The Topix index of all first section stocks shed 6.18 to 1,683.12 and the Nikkei 300 lost 1.19 at 311.04. Declines led rises by 701 to 337, with 186 issues unchanged.

In London the ISE/Nikkei 50 index put on 0.16 at 1,471.76.

Honda Motor was the individual feature of the day, rising Y100 to an all-time high of Y2,590, surpassing its previous record of Y2,520 set eight years ago, on demand prompted by its strong earnings forecast for the current year.

Investors were encouraged by Tuesday's announcement of a 15 per cent rise in its consolidated net profit for the year to last March due to strong sales of its recreational vehicles, and projections of a 70 per cent growth to Y120bn for the current business year.

Honda's strength led other carmakers higher, Toyota Motor gaining Y40 at Y2,410 and Nissan Motor Y15 at Y908.

High-technology stocks fell on profit-taking. Hitachi declined Y20 to Y1,030 and Toshiba Y8 to Y774. Investors were discouraged by reports that world semiconductor demand would fall slightly this year. In consumer electronics, however, Sony rose Y10 to Y6,880 and TDK Y30 to Y6,880.

Large steel and shipbuilder issues lost ground in spite of buying by foreign investors and domestic institutions. Nippon Steel slipped Y5 to Y373 and NKK Y10 to Y314.

In Osaka, the OSE average relinquished 46.41 to 23,392.95 in volume of 28.3m shares.

Roundup

Selling of finance shares and banks hit BANGKOK, where the SET index slid 24.07, or 1.9 per cent, to 1,266.52 in active turnover of Bt8.1bn.

Selling was sparked off by rumours, later denied, that ING Baring Securities (Singapore) would stop sending foreign trading orders through the leading Thai finance and securities company Dhana Siam. Dhana topped the active list, dropping Bt12 to Bt143 in turnover of Bt814m.

KARACHI lost a percentage point as weak holders offloaded their holdings after the Pakistani rupee fell sharply against the US dollar. The KSE 100 index fell 17.59 to 1,685.97.

HONG KONG consolidated, the Hang Seng index edging 5.98 lower to 11,082.79 as turnover slipped to HK$4.3bn. However, Sun Hung Kai Properties gained 50 cents at HK$76.75 on talk of a share buyback and a covered warrant issue.

SINGAPORE recouped some of its recent losses as demand reappeared for property stocks, which had been under pressure after government measures to cool the local market. The Straits Times Industrial index firmed 2.86 to 2,313.62 but volume was a low 104.5m shares.

Hotel Properties, at the centre of a controversy over discounts to government ministers, rebounded 19 cents or 8.5 per cent to S$2.43.

KUALA LUMPUR's composite index gave up another 5.68 to 1,140.40 in thin volume of 170m shares. Malaysian Assurance Alliance extended its rebound by M$1.10 to M$13.30, recouping recent losses which followed concerns that a proposed change in Malaysian insurance rules would hurt the company's profits.

SEOUL overcame early weakness in a technical rally which lifted the composite index from a low of 910.53 to end 4.12 up at 924.00.

Selective buying focused on insurance and telecom issues with good earnings prospects. LG Insurance settled at a year's high of Won99,600, up Won5,600, while Dacom went limit up, gaining Won9,000 at Won162,000.

BOMBAY picked up on expectations that the new minority BJP government would survive a parliamentary confidence vote, set for May 27. The BSE-30 index improved 13.90 to 3,685.65.

MANILA ended at a 28-month high but trade was tepid, and turnover moderate at 3.5bn pesos as the composite index rose 29.00 to 3,155.97.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY MAY 21 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MAY 20 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (80)	204.41	-0.6	200.23	138.34	163.82	171.43	-0.4	4.27	205.68	201.66	139.27	164.11	172.19	212.18	162.66	164.48
Austria (25)	188.65	0.3	184.79	127.67	151.18	151.10	0.7	1.86	188.15	184.47	127.39	150.12	150.03	199.28	168.11	187.93
Belgium (27)	210.65	0.6	206.34	142.55	168.81	164.57	1.1	4.04	209.34	205.25	141.74	167.03	162.85	215.81	186.06	190.40
Brazil (28)	168.97	-0.6	165.51	114.35	135.41	309.53	-0.6	2.08	169.97	166.65	115.09	135.62	311.34	170.25	123.97	144.87
Canada (99)	164.64	0.7	161.27	111.42	131.94	163.47	0.6	2.33	163.45	160.25	110.67	130.41	162.59	164.64	134.14	139.40
Denmark (30)	294.38	-0.5	288.36	199.22	235.92	238.27	0.0	1.88	295.73	289.94	200.23	235.95	238.29	305.17	274.11	274.74
Finland (23)	192.67	-0.8	188.73	130.39	154.41	191.00	-0.6	2.62	194.26	190.45	131.53	154.99	192.05	276.11	171.73	201.42
France (97)	195.47	0.0	191.47	132.28	156.65	159.94	0.5	2.99	195.48	191.65	132.35	155.96	159.23	198.39	167.70	180.50
Germany (60)	169.67	0.4	166.20	114.82	135.97	135.97	0.6	1.83	169.06	165.76	114.47	134.89	134.89	174.38	149.59	149.59
Hong Kong (58)	434.51	0.8	425.62	294.05	348.22	431.53	0.8	3.30	431.21	422.77	291.96	344.05	428.26	451.19	348.81	357.09
Ireland (16)	280.08	0.4	274.35	189.54	224.45	252.73	0.3	3.38	278.96	273.50	188.88	222.57	251.87	280.08	220.31	221.72
Italy (59)	83.48	-0.7	81.77	56.49	66.90	97.12	-0.3	2.25	84.10	82.46	56.94	67.10	97.46	84.53	67.22	76.26
Japan (481)	157.82	0.1	154.59	106.81	126.48	106.81	0.1	0.71	157.64	154.56	106.73	125.77	106.73	164.68	137.75	160.17
Malaysia (107)	560.58	-1.0	549.11	379.36	449.25	538.23	-0.8	1.65	566.22	555.14	383.38	451.77	542.78	585.09	425.77	516.87
Mexico (18)	1318.94	2.1	1291.95	892.57	1057.00	10664.72	1.9	1.32	1291.54	1266.27	874.49	1030.48	10470.07	1318.94	791.99	1019.84
Netherland (19)	293.73	0.2	287.72	198.78	235.39	231.07	0.8	3.11	293.01	287.28	198.39	233.78	229.31	295.22	237.16	237.16
New Zealand (15)	79.95	-0.3	78.31	54.10	64.07	62.19	-0.3	4.42	80.16	78.59	54.28	63.96	62.36	85.49	76.26	81.59
Norway (35)	245.28	0.6	240.26	165.99	196.57	220.05	1.0	2.08	243.86	239.09	165.12	194.57	217.98	255.75	215.04	216.35
Singapore (44)	411.00	0.0	402.59	278.14	329.37	266.92	0.0	1.42	411.07	403.02	278.33	327.98	266.91	465.21	355.81	394.08
South Africa (45)	353.80	-0.4	346.56	239.43	283.54	334.84	-0.2	2.15	355.18	348.22	240.48	283.38	335.56	437.76	338.91	342.75
Spain (37)	178.24	0.0	174.80	120.62	142.84	173.24	0.3	3.20	178.19	174.71	120.65	142.18	172.67	179.85	142.33	142.33
Sweden (48)	351.90	-1.2	344.70	238.14	282.01	353.93	-0.5	2.28	356.08	349.11	241.10	284.11	355.61	356.08	251.05	251.05
Switzerland (38)	232.31	-0.3	227.56	157.21	186.17	182.35	0.0	1.62	232.91	228.35	157.70	185.83	182.34	252.34	185.34	185.34
Thailand (46)	177.81	-0.1	174.17	120.33	142.50	174.64	0.0	1.89	177.90	174.41	120.45	141.94	174.72	193.95	146.74	161.21
United Kingdom (201)	232.71	0.3	227.95	157.48	186.49	227.95	0.2	4.05	231.94	227.40	157.04	185.06	227.40	237.43	208.12	208.12
USA (626)	274.20	-0.1	268.56	185.56	219.75	274.20	-0.1	2.16	274.42	269.04	185.80	218.95	274.42	274.42	212.45	212.45
Americas (771)	250.80	0.0	245.47	169.59	200.83	210.65	-0.1	2.15	250.69	245.79	169.74	200.02	210.75	250.69	195.09	195.09
Europe (715)	208.99	0.1	204.71	141.43	167.48	185.80	0.3	3.01	208.83	204.74	141.39	166.62	185.21	211.35	181.80	161.80
Nordic (136)	300.19	-0.8	294.04	203.15	240.57	265.22	-0.3	2.24	302.70	296.78	204.96	241.52	265.90	302.70	242.56	242.56
Pacific Basin (832)	170.62	0.1	167.13	115.46	136.73	118.01	0.1	1.16	170.49	167.15	115.43	136.02	117.95	177.01	148.86	159.45
Euro-Pacific (1547)	186.49	0.1	182.68	126.21	149.46	143.69	0.2	2.02	186.35	182.70	126.18	148.68	143.44	190.57	166.51	168.67
North America (725)	267.41	-0.1	261.94	180.97	214.30	266.75	-0.1	2.16	267.55	262.31	181.15	213.47	266.90	267.55	207.93	207.93
Europe Ex. UK (514)	190.91	-0.1	187.00	129.19	152.99	160.64	0.4	2.45	191.02	187.29	129.34	152.41	160.06	192.67	163.53	163.53
Pacific Ex. Japan (351)	290.17	-0.1	284.23	196.37	232.54	250.12	0.0	3.04	290.45	284.77	196.66	231.74	250.16	296.68	243.59	249.43
World Ex. US (1737)	187.78	0.1	183.94	127.08	150.49	148.16	0.2	2.03	187.60	183.93	127.02	149.68	147.89	191.55	167.36	169.53
World Ex. UK (2162)	212.64	0.0	208.29	143.90	170.41	179.97	0.1	1.89	212.66	208.50	143.99	169.68	179.67	212.66	179.23	178.95
World Ex. Japan (1882)	245.94	0.0	240.91	166.44	197.10	234.02	0.1	2.49	245.97	241.15	166.54	196.25	233.85	245.97	201.25	201.25
The World Index (2363)	214.49	0.0	210.10	145.15	171.89	184.45	0.1	2.08	214.45	210.25	145.20	171.10	184.32	214.52	181.82	182.43

AGF (France) is changing weight to 100%, effective May 28. Latest prices were unavailable for this edition.